

JZ CAPITAL PARTNERS LIMITED

Interim Report and Financial Statements
For the period from 1 March 2020 to 31 August 2020

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Who We Are

Corporate Objective

JZ Capital Partners Limited (“JZCP” or the “Company”) seeks to maximise the value of its investments in its US and European micro-cap companies and US real estate, to repay debt and to return capital to shareholders.

About Us

JZCP has investments in US and European micro-cap companies, as well as real estate properties in the US.

JZCP’s Investment Adviser is Jordan/Zalaznick Advisers, Inc. (“JZAI”) which was founded by David Zalaznick and Jay Jordan in 1986. JZAI has investment professionals in New York, Chicago, London and Madrid.

During 2020, the Company’s shareholders approved changes to the Company’s investment policy. Under the new policy, the Company will make no further investments except in respect of which it has existing obligations and to continue to selectively supporting the existing portfolio. The intention is to realise the maximum value of the Company’s investments and, after repayment of all debt, to return capital to shareholders.

JZCP is a Guernsey domiciled closed-ended investment company authorised by the Guernsey Financial Services Commission. JZCP’s shares trade on the Specialist Fund Segment of the London Stock Exchange.

Performance and Results Highlights

Realisations

During the period from 1 March 2020 to the date of the Interim Report (4th November 2020), the Company has agreed realisations of \$141.8 million.

Asset	Portfolio	Proceeds (\$ millions)
Secondary sale	US	90.0
K2 II & ABTB (Taco Bell)	US	18.6
Greenpoint	Real Estate	13.6
Eliantus	Europe	9.4
Salter – Refinance	US	4.4
Orangewood Fund	US	3.7
CERPI	US	1.3
Escrow receipts	US	0.8
Total		141.8

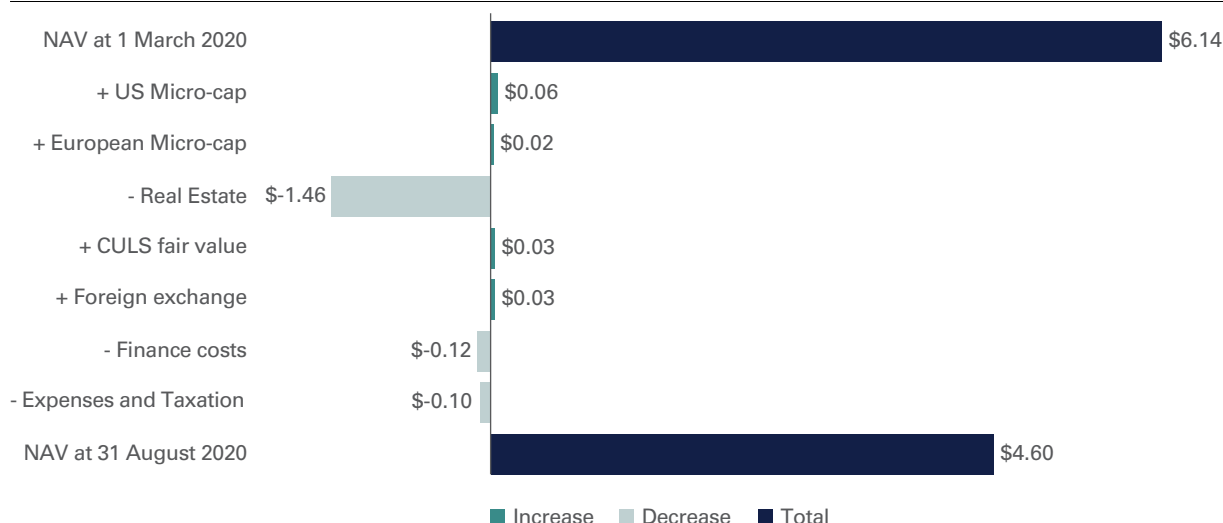
Net Asset Value (“NAV”) per Share and Total NAV Returns

NAV per share at 31 August 2020 was **\$4.60** (29 February 2020: \$6.14). Total NAV Returns per share are shown below and also on an ‘adjusted’ basis which presents the Company’s NAV return, before the effect of dilution from capital raised¹ and subsequent appreciation from the buy back of ordinary shares at a discount.

	6 Months	1 Year	3 Year	5 Year	7 Year	10 Year
Total NAV return	-25.1%	-52.4%	-53.4%	-54.9%	-46.4%	-26.5%
Total NAV return (Adjusted) ¹	-25.1%	-52.4%	-54.3%	-51.2%	-43.8%	-20.4%

Following table presents the Company’s annual NAV performance by sector:

NAV attribution per Ordinary Share



All NAV returns above are presented in US dollar terms and on a dividend reinvested basis and for periods ended 31 August 2020.

¹ On 30 September 2015 a Placing and Open Offer of Ordinary shares resulted in 18,888,909 Ordinary shares being issued at the price of £4.1919.

Shareholder Returns

JZCP's share price at 31 August 2020 was £0.89 (29 February 2020: £2.58).

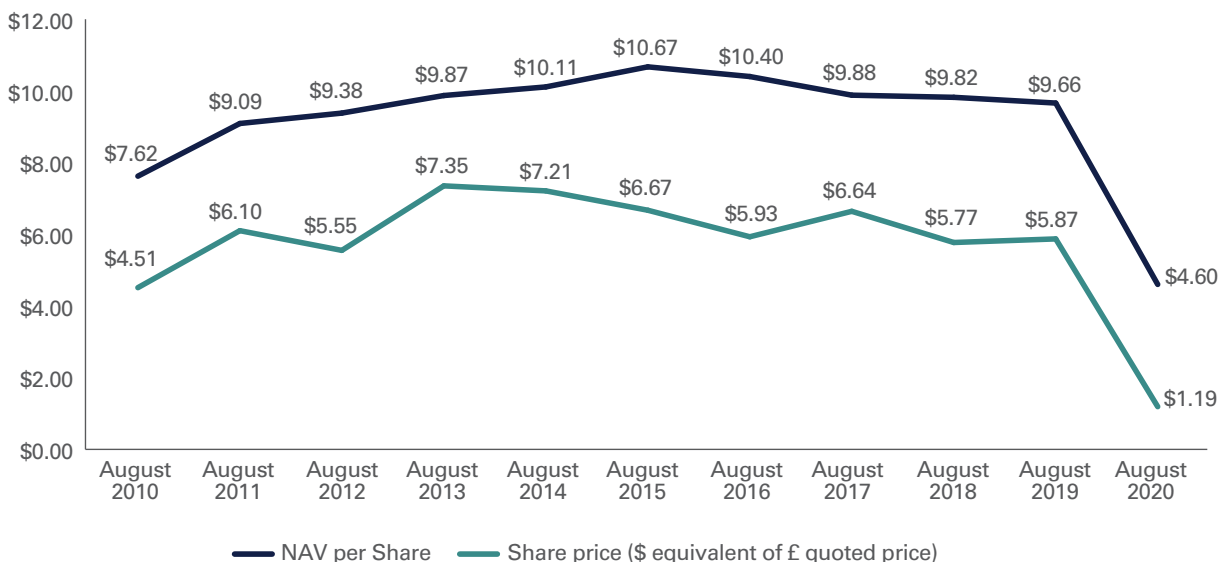
	6 Months	1 Year	3 Year	5 Year	7 Year	10 Year
Total Shareholder return	-65.5%	-81.5%	-82.7%	-77.8%	-77.0%	-57.9%

NAV to Market Price Discount

The data below shows the theoretical discount of the period end share price and the period end NAV per share and does not factor in the timing delay in announcing the period end NAV to the market.

	31.8.2020	29.2.2020	31.8.2019	31.8.2017	31.8.2015	31.8.2013
Discount	74.1%	46.3%	39.2%	32.8%	37.4%	25.6%

NAV per Share versus Share Price



Total NAV return, Total Shareholder returns, NAV to Market Price discount, are classified as Alternative Performance Measurements under European Securities and Market Authority guidelines and are further explained on pages 47 and 48 under Useful Information for Shareholders.

Chairman's Statement



David Macfarlane

We present the results of the Company for the six-month period ended 31 August 2020. As expected, the last six months have been very challenging for our real estate portfolio and as foreshadowed in my statement accompanying the results for the year ended 29 February 2020, the effect of leverage and the COVID-19 crisis have further reduced the value of that portfolio. As announced in September 2020 and revised in October 2020, this write down has been quantified at approximately \$110 million. As a consequence, I regret to report that the Company's NAV fell to \$4.60 per share at 31 August 2020 from \$6.14 per share at 29 February 2020. The continued difficulties with the real estate portfolio have offset a robust performance in our traditional private equity portfolios in the US and Europe. The two portfolios have navigated the COVID-19 environment well and have, broadly speaking, held their values with several individual investments outperforming in each portfolio.

The recently announced Secondary Sale of certain assets within the US Micro-cap portfolio marks steady progress towards the Company's goal of realising the maximum value of its current investments and, in accordance with the Company's stabilisation plan, generating sufficient liquidity to repay its obligations and return capital to shareholders. However, we do note that the enduring effect of COVID-19 market conditions means that realisations may be delayed or become more difficult.

Liquidity

The further write down of the real estate portfolio caused the Company to breach the asset coverage covenant of its senior loan with Guggenheim Partners. However, the Investment Manager and the Board have moved quickly and proactively to agree an amendment to its senior loan, whereby this breach has been waived by Guggenheim and the Company's asset coverage covenant has been reset at a lower threshold. In return, the Company has repaid Guggenheim \$20 million (post period-end) and will be obliged to repay a further \$62.7 million on completion of the Secondary Sale, which is anticipated to close following shareholder approval in December 2020.

Nevertheless, the Board notes that, at this time, the remaining balance of Guggenheim's loan will still mature on 12 June 2021 and the Convertible Unsecured Loan Stock (CULS), which is a subordinate security, will mature shortly thereafter on 30 July 2021.

Real Estate Portfolio

As previously disclosed, the write down in the Company's real estate portfolio as of 29 February 2020 reflected valuations undertaken by a new independent third-party appraiser, albeit prior to the impact of the COVID-19 crisis. As indicated in the Chairman's Statement accompanying the year end results, the Board commissioned updated appraisals as of 31 August 2020, which have taken into account the effect of COVID-19; this analysis underpins the further write down of approximately \$110 million in the period. Unfortunately, this comes as no surprise, given the leveraged position of the assets and how few retail tenants have paid rent during the continuing crisis. In aggregate, the remaining properties with equity value are carried on the Company's balance sheet at \$47.4 million as of 31 August 2020. Included in this amount are the approximate cash proceeds received from the recently announced sale of the Company's Greenpoint investment, which had been written down to its approximate sale value as of 31 August 2020.

US and European Micro-cap Portfolios

At the 2019 full year results, I reported that the Company's US and European micro-cap investments had performed solidly, though the Board expressed concern regarding the unknown consequences of the lingering COVID-19 crisis. While no company has escaped fully unscathed, our Investment Adviser and the management teams of our portfolio companies have worked unremittingly to stabilise our private equity assets. We believe that the majority of our businesses have sustained no lasting or fundamental damage, other than that progress towards maximising and realising value has naturally been delayed. In fact, several of our assets in both portfolios have outperformed during the six-month period, in spite of COVID-19, and, in certain instances, are net beneficiaries of the current environment.

It almost goes without saying how difficult the current market environment can be to execute transactions. In one form or another, the Secondary Sale with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane") was under negotiation for more than a year. Having now agreed this transaction, the Company has unlocked significant liquidity to repay a material portion of its senior loan and reset the terms of the loan through maturity. In the coming years, JZCP will continue to benefit from its special limited partnership interest in the new Secondary Fund, which entitles the Company to participate in the future growth of the assets comprising the Secondary portfolio. This growth will be generated by \$20 million in fresh capital contributed by the Secondary Fund to execute the respective acquisition strategies of the Secondary portfolio assets.

New Investment Policy and Stabilisation Plan

The Company's continued intention is to realise the maximum value of its current investments and, in accordance with the Company's stabilisation plan, to generate sufficient liquidity to repay its obligations and return capital to shareholders. Following the Secondary Sale and ensuing pay down of senior debt, the Company's approximate senior obligations will be as follows: (i) senior debt of \$68.5 million (due 12 June 2021), (ii) Convertible Unsecured Loan Stock ("CULS") of £38.9m (due 30 July 2021), and (iii) Zero Dividend Preference Shares ("ZDPs") of £57.6m (due 1 October 2022).

The achievement of the stabilisation plan depends upon the Company's ability to realise assets. As noted above, an enduring effect of COVID-19 market conditions is that realisations may be delayed or become more difficult. In addition, a number of the Company's investments are "co-investments", where the Company does not control exit timing. Given this situation, the Directors' report accompanying the interim results disclose material uncertainties as to the Company's ability to continue as a going concern, as a result of a potential lack of liquidity to repay the senior debt facility and redeem its CULS.

Prospects

Having obtained updated real estate appraisals and having continued to watch the Company's US and European portfolios navigate well through the current market, the Board feels confident in the stated values of the Company's investments. Accordingly, monthly NAV announcements, which had been previously suspended, will resume this month. Clearly, the achievement of the objectives of the stabilisation plan and the new investment policy depends on realisations, both as to their amount and timing. However, the Board and the Investment Adviser are optimistic that all the Company's obligations will be repaid in full and that a significant amount of capital will be returned to shareholders.

David Macfarlane
Chairman
4 November 2020

Investment Adviser's Report



David Zalaznick and Jay Jordan

Dear Fellow Shareholders,

During the period, we have made substantial progress towards our stated goal of realizing investments to generate cash to pay debt, relieve JZCP of unfunded commitments, selectively support our existing portfolio and return capital to shareholders; this is all in line with the Company's new investment policy approved by shareholders last year.

Our team has executed several significant realizations, as detailed in the table below, including the recently announced Secondary Sale agreed with Hamilton Lane. In aggregate, these transactions will generate approximately \$175.7 million in liquidity for JZCP in 2020, comprised of approximately \$141.8 million in cash proceeds to JZCP and the relief of a further approximately \$33.9 million in unfunded and potential commitments. JZCP is using this liquidity to pay down a material portion of its senior debt (approximately \$82.7 million) and selectively support the Company's existing assets to maximize their realizable value in the near term.

As we approach the maturity of the remaining balance of our senior debt and the CULS in June 2021 and July 2021, respectively, our efforts will continue to be totally dedicated towards raising cash in order to execute the aforementioned plan to pay debt in the first instance and ultimately return capital to shareholders.

Realizations and Further Commitments Relieved Since 1 March 2020

Asset	Portfolio	Proceeds (\$ millions)	Further Commitment (\$ millions)
Secondary Sale ¹	US	90.0	20.0
K2 II & ABTB (Taco Bell) ¹	US	18.6	–
Greenpoint – Sale ¹	Real Estate	13.6	–
Eliantus – Refinancing	Europe	2.9	–
Eliantus – Sale ¹	Europe	6.5	–
Salter – Refinance ¹	US	4.4	–
Orangewood Fund – Sale ¹	US	3.7	6.6
CERPI – Sale ¹	US	1.3	7.3
Other & Receipt of Escrows	US	0.8	–
Total		141.8	33.9

¹ Proceeds received or to be received post period-end.

Since our last report, our US and European micro-cap portfolios have continued to perform solidly through COVID-19. Our portfolio companies' respective senior management teams moved quickly to take decisive measures early in the pandemic to stabilize the businesses' liquidity positions and set them on a course to weather the pandemic. We are particularly pleased that several of our assets in the US and Europe have outperformed in the current climate, hitting record monthly sales and EBITDA figures, demonstrating the quality of the underlying companies and the resilience of the portfolio.

In addition, while we are hopeful that the economic downturn will be relatively short-term in nature, we believe that our assets are prepared to sustain a longer duration impact for the following reasons: (i) they are not heavily invested in cyclical businesses; (ii) they are conservatively leveraged; and, (iii) our entry multiples are below market and offer significant room for capital gains. Furthermore, having generated significant liquidity through realizations in 2020, we will be able to selectively support our existing portfolio, should the unanticipated need arise over the coming months.

With regards to our real estate portfolio, COVID-19 has been devastating to commercial retail real estate and has resulted in further write downs in the value of our real estate assets. Many of our retail tenants have not paid rent throughout the pandemic. We believe what material equity value remains in the real estate portfolio is largely concentrated in our properties at 247 Bedford Avenue in Williamsburg, Brooklyn (where Apple is a tenant), and Esperante, our office tower in West Palm Beach, Florida.

As of 31 August 2020, our US micro-cap portfolio consisted of 22 businesses, which includes four 'verticals' and 14 co-investments, across seven industries; this portfolio was valued at 8.5x EBITDA, after applying an average 18% marketability discount to public comparables. The average underlying leverage senior to JZCP's position in our US micro-cap portfolio is 4.2x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 5.9x EBITDA.

Our European micro-cap portfolio consisted of 16 companies across six industries and seven countries. The European micro-cap portfolio has low leverage senior to JZCP's position, of under 2.0x EBITDA.

Net Asset Value ("NAV")

JZCP's NAV per share decreased \$1.54 or 25.1%, during the six-month period.

NAV per Ordinary share as of 29 February 2020	\$6.14
<hr/>	
Change in NAV due to capital gains and accrued income	
+ US Micro-cap	0.06
+ European Micro-cap	0.02
- Real estate	(1.46)
Other increases/(decreases) in NAV	
+ Change in fair value of CULS	0.03
+ Net foreign exchange effect	0.03
- Finance costs	(0.12)
- Expenses and taxation	(0.10)
<hr/>	
NAV per Ordinary share as of 31 August 2020	\$4.60

Investment Adviser's Report continued

The US micro-cap portfolio navigated the COVID-19 environment well during the six-month period, delivering a net increase of 6 cents per share. This was primarily due to net accrued income of 5 cents, increased earnings at Felix Storch (10 cents) and co-investments New Vitality (2 cents) and Salter (3 cents) and the write-up at sale of K2 Towers II/ ABTB (2 cents). We also received 1 cent of escrow payments during the period. Offsetting these increases were decreases at co-investments Igloo (2 cents) and Suzo Happ (15 cents).

Our JZI Fund III, L.P. ("Fund III") portfolio also performed well through COVID-19 during the period, posting a net increase of 2 cents, primarily due to net accrued income of 1 cent and net write-ups at Fund III portfolio companies of 1 cent.

The real estate portfolio experienced a net decrease of \$1.46, largely due to the write-off of large portions of our Brooklyn portfolio and a significant portion of our Wynwood portfolio.

Returns

The chart below summarises cumulative total shareholder returns and total NAV returns for the most recent six-month, one-year, three-year and five-year periods.

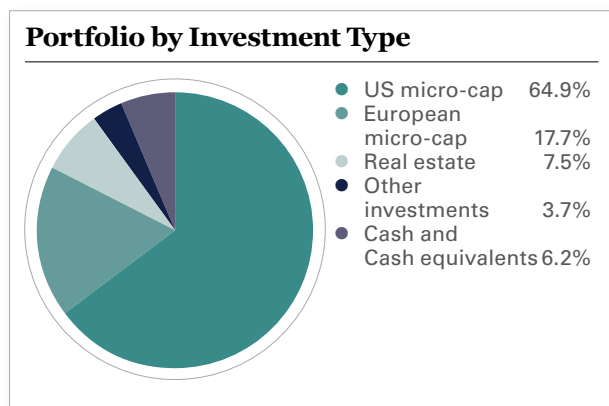
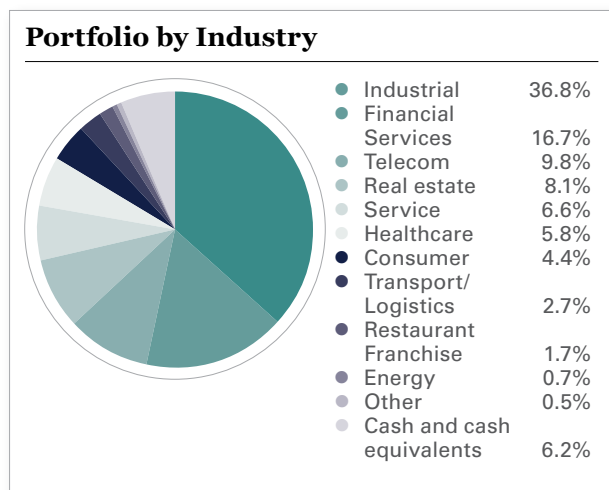
	31.8.2020	29.2.2020	31.8.2019	31.8.2017	31.8.2015
Share price (in GBP)	£0.89	£2.58	£4.82	£5.16	£4.34
NAV per share (in USD)	\$4.60	\$6.14	\$9.66	\$9.88	\$10.67
NAV to market price discount	74.1%	46.3%	39.2%	32.8%	37.4%
		6 month return	1 year return	3 year return	5 year return
Dividends paid (in USD)		–	–	–	\$0.465
Total Shareholders' return (GBP) ¹		-65.5%	-81.5%	-82.7%	-77.8%
Total NAV return per share (USD) ¹		-25.1%	-52.4%	-53.4%	-54.9%
Total Adjusted NAV return per share (USD) ^{1,2}		-25.1%	-52.4%	-54.3%	-51.2%

1 Total returns are cumulative and assume that dividends were reinvested.

2 Adjusted NAV returns reflect the return per share before (i) the dilution resulting from the issue of 18,888,909 ordinary shares at a discount to NAV on 30 September 2015 and (ii) subsequent appreciation from the buyback of ordinary shares at a discount.

Portfolio Summary

Our portfolio is well-diversified by asset type and geography, with 39 US and European micro-cap investments across eleven industries. The European portfolio itself is well-diversified geographically across Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.



Below is a summary of JZCP's assets and liabilities at 31 August 2020 as compared to 29 February 2020. An explanation of the changes in the portfolio follows:

	31.8.2020 US\$'000	29.2.2020 US\$'000
US micro-cap portfolio	409,502	404,880
European micro-cap portfolio	111,800	102,591
Real estate portfolio	47,362	158,712
Other investments	23,443	22,603
Total investments	592,107	688,786
Treasury bills	3,395	3,386
Cash	35,656	52,912
Total cash equivalents	39,051	56,298
Other assets	125	119
Total assets	631,283	745,203
Zero Dividend Preference shares	69,354	64,510
Convertible Unsecured Loan Stock	49,432	49,886
Loans payable	150,355	150,362
Other liabilities	5,866	4,711
Total liabilities	275,007	269,469
Net Asset Value	356,276	475,734

Investment Adviser's Report continued

US Micro-cap Portfolio

As you know from previous reports, our US portfolio is grouped into industry 'verticals' and co-investments. Our 'verticals' strategy focuses on consolidating businesses under industry executives who can add value via organic growth and cross company synergies. Our co-investments' strategy allows for greater diversification of our portfolio by investing in larger companies alongside well-known private equity groups.

The US micro-cap portfolio navigated the COVID-19 environment well during the six-month period, delivering a net increase of 6 cents per share. This was primarily due to net accrued income of 5 cents, increased earnings at Felix Storch (10 cents) and co-investments New Vitality (2 cents) and Salter (3 cents) and the write-up at sale of K2 Towers II/ ABTB (2 cents). We also received 1 cent of escrow payments during the period. Offsetting these increases were decreases at co-investments Igloo (2 cents) and Suzo Happ (15 cents).

European Micro-cap Portfolio

Our JZI Fund III, L.P. ("Fund III") portfolio also performed well through COVID-19 during the period, posting a net increase of 2 cents, primarily due to net accrued income of 1 cent and net write-ups at Fund III portfolio companies of 1 cent.

JZCP invests in the European micro-cap sector through its approximately 18.8% ownership of Fund III. As of 31 August 2020, Fund III held 12 investments: four in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held direct loans to a further three companies in Spain: Docout, Xacom and Toro Finance.

JZAI has offices in London and Madrid and an outstanding team with over fifteen years of experience investing together in European micro-cap deals.

During the period and post-period, JZCP received distributions totalling approximately €8.0 million (approximately \$9.4 million) from the refinancing and sale of Fund III portfolio company Eliantus (see below).

In April 2020, JZCP received €2.7 million in proceeds from the refinancing of Fund III portfolio company, Eliantus, which issued its second project bond backed by solar power plants in Spain. In September 2020 (post period), JZCP received a further €5.3 million in proceeds from the sale of Eliantus to Sonnedix, an independent solar power producer which develops, builds, owns and operates solar power plants globally, including in Italy, France, Spain, USA/Puerto Rico, Chile, South Africa and Japan. Including previously distributed proceeds and future escrows/earn-outs, Fund III has realized a gross multiple of invested capital ("MOIC") of approximately 2.0x.

Real Estate Portfolio

As discussed in the Chairman's Statement and several recent announcements, our real estate portfolio has suffered a further large reduction in value during the period. COVID-19 has irreparably damaged large portions of the portfolio, many of which were in a precarious position pre-COVID-19, resulting in significant write-downs and write-offs of assets in Brooklyn and South Florida. We expect any material remaining value in the real estate portfolio to come from our properties at 247 Bedford Avenue, Williamsburg, Brooklyn (where Apple is a tenant) and Esperante our office tower in West Palm Beach, Florida.

In October 2020 (post period), JZCP sold its investment in the Greenpoint property, receiving approximately \$13.6 million in sale proceeds.

Other Investments

Our asset management business in the US, Spruceview Capital Partners, has continued to make encouraging progress since our last report to you. Spruceview addresses the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer ("OCIO") model as well as customized products/solutions per asset class.

During the period, Spruceview received a commitment of \$124 million, the first tranche of an anticipated total additional commitment of \$800 million, for a portfolio of alternative private equity investments for a Mexican trust (or "CERPI"). In addition, the firm launched a third private markets fund, focused on co-investment opportunities in the US, with initial commitments of \$24 million.

During the period, Spruceview also maintained a pipeline of potential client opportunities and continued to provide investment management oversight to the pension funds of the Mexican and Canadian subsidiaries of an international packaged foods company, as well as portfolios for family office clients, a European private credit fund-of-funds, and a US middle market private equity fund-of-funds.

As previously reported, Richard Sabo, former Chief Investment Officer of Global Pension and Retirement Plans at JPMorgan and a member of that firm's executive committee, is leading a team of 17 investment, business and product development, legal and operations professional.

Realisations Secondary Sale

As announced on October 19, 2020, JZCP signed an agreement to sell its interests in certain US micro-cap portfolio companies (the "Secondary Sale") to a secondary fund which includes investors of certain funds and accounts managed by Hamilton Lane Advisors, L.L.C, one of the world's largest asset management firms.

The Secondary Sale marks a significant milestone towards the delivery of the Company's previously announced strategy of realizing value from its investment portfolio and paying down debt. Upon completion, the Secondary Sale will provide the Company with the needed liquidity to repay a substantial portion of its senior debt.

The US micro-cap assets to be sold as part of the Secondary Sale include JZCP's interests in each of ACW Flex Pack, Flow Control, Testing Services, Felix Storch, Peaceable Street Capital and TierPoint (together, the "US Micro-cap Portfolio Companies"). In return, JZCP will receive aggregate consideration of: (i) \$90 million in cash (less any fees and expenses) and (ii) a special limited partner interest in the Secondary Fund entitling JZCP to certain distributions from the Secondary Fund (the "Special LP Interest").

The full potential commitment by the Secondary Investors to the Secondary Fund is up to US\$110 million in aggregate, with a total initial investment of \$90 million to be funded at the time of closing of the Secondary Sale to facilitate the Secondary Fund's acquisition of the US Micro-cap Portfolio Companies from JZCP. In addition to this initial investment amount, up to \$20 million of unfunded capital commitments is expected to be contributed to the Secondary Fund by the Secondary Investors to complete the acquisition strategies of the US Micro-cap Portfolio Companies.

JZCP expects that the value of the its Special LP Interest should increase in the near to medium term as the Secondary Investors fund this additional new capital required to grow the US Micro-cap Companies and complete their respective acquisition strategies.

K2 II and ABTB (Taco Bell)

In June 2020, JZCP sold its interests in K2 II and ABTB at approximately NAV, receiving approximately \$18.6 in net proceeds.

Orangewood Fund

During the period and post-period, JZCP received approximately \$3.6 million in proceeds from selling down \$10 million of its \$24 million total commitment to the Orangewood Fund. In addition to having received back its funded cost plus 8.0% interest (i.e., \$3.6 million), JZCP was relieved of up to approximately \$6.6 million in unfunded commitments to the Orangewood Fund. JZCP intends to sell down its remaining commitment to the Orangewood Fund over the coming months.

CERPI

In August 2020, JZCP received approximately \$1.3 million in proceeds from selling its interest in the CERPI, a fund managed by Spruceview. In addition to having received back its approximate cost in the CERPI, JZCP was relieved of up to approximately \$7.3 million in unfunded commitments and potential future commitments to the CERPI.

Investment Adviser's Report continued

Eliantus

In April 2020, JZCP received €2.7 million in proceeds from the refinancing of Fund III portfolio company, Eliantus, which issued its second project bond backed by solar power plants in Spain. In September 2020 (post period), JZCP received a further €5.3 million in proceeds from the sale of Eliantus to Sonnedix, an independent solar power producer which develops, builds, owns and operates solar power plants globally, including in Italy, France, Spain, USA/Puerto Rico, Chile, South Africa and Japan. Including previously distributed proceeds and future escrows/earn-outs, Fund III has realized a gross multiple of invested capital ("MOIC") of approximately 2.0x.

Greenpoint

In October 2020 (post period), JZCP sold its investment in the Greenpoint property, receiving approximately \$13.6 million in sale proceeds.

Outlook

While it has clearly been a challenging period for the real estate portfolio in particular, the outlook for JZCP has significantly improved since we reported to you at 29 February 2020. In terms of cash generation, as well as cash conservation, we are well down the road to stabilizing our portfolio.

We see more value to be realized from our US and European micro-cap portfolio and will continue to selectively invest in these portfolios to maximize their values. We believe this is the most effective way for us to be able to return capital to our common shareholders. Until then, we will continue to pursue realizations and repay debt.

While the uncertain COVID-19 world in which we are living continues, our focus remains on the health and wellbeing of our people and partners. We will do everything we can to manage this portfolio defensively and we remain committed to maximizing value along the way.

Thank you again for your support of the Company's revised investment strategy.

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.
4 November 2020

Board of Directors



David Macfarlane (Chairman)¹

Mr Macfarlane was appointed to the Board of JZCP in 2008 as Chairman and a non-executive Director. Until 2002 he was a Senior Corporate Partner at Ashurst. He was a non-executive director of the Platinum Investment Trust Plc from 2002 until January 2007.



James Jordan

Mr Jordan is a private investor who was appointed to the Board of JZCP in 2008. He is a director of the First Eagle family of mutual funds, and of Alpha Andromeda Investment Trust Company, S.A. Until 30 June 2005, he was the managing director of Arnhold and S. Bleichroeder Advisers, LLC, a privately owned investment bank and asset management firm; and until 25 July 2013, he was a non-executive director of Leucadia National Corporation. He is an Overseer of the Gennadius Library of the American School of Classical Studies in Athens, and as Director of Pro Natura de Yucatan.



Sharon Parr²

Mrs Parr was appointed to the Board of JZCP in June 2018. In 2003 she completed a private equity backed MBO of the trust and fund administration division of Deloitte and Touche, called Walbrook, selling it to Barclays Wealth in 2007. As a Managing Director of Barclays, she ultimately became global head of their trust and fund administration businesses, comprising over 450 staff in 10 countries. She stepped down from her executive roles in 2011 to focus on other areas and interests but has maintained directorships in several companies. She is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Society of Trust and Estate Practitioners, and is a resident of Guernsey.



Ashley Paxton

Mr Paxton was appointed to the board in August 2020. Ashley has more than 25 years of funds and financial services industry experience, with a demonstrable track record in advising closed-ended London listed boards and their audit committees on IPOs, capital market transactions, audit and other corporate governance matters. Ashley was previously C.I. Head of Advisory for KPMG in the Channel Islands, a position he held from 2008 through to his retirement from the firm in 2019. Ashley is a Fellow of the Institute of Chartered Accountants in England and Wales and a resident of Guernsey. Amongst other appointments he is Chairman of the Youth Commission for Guernsey & Alderney, a locally based charity whose vision is that all children and young people in the Guernsey Bailiwick are ambitious to reach their full potential.



Tanja Tibaldi

Ms Tibaldi resigned from the Board on 12 August 2020.

1 Chairman of the nominations committee of which all Directors are members.

2 Chairman of the audit committee of which all Directors are members.

Report of the Directors

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Interim Report and Financial Statements comprising the Half-yearly Interim Report (the "Interim Report") and the Unaudited Condensed Interim Financial Statements (the "Interim Financial Statements") in accordance with applicable law and regulations.

- the Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Chairman's Statement and Investment Adviser's Report include a fair review of the information required by:
 - (i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related party transactions described in the 2020 Annual Report and Financial Statements that could do so.

Principal Risks and Uncertainties

The Company's Board believes the principal risks and uncertainties that relate to an investment in JZCP are as follows:

Portfolio Liquidity

The Company invests predominantly in unquoted companies and real estate. Therefore, this potential illiquidity means there can be no assurance investments will be realised at their latest valuation. The Board considers this illiquidity when planning to meet its future obligations, whether committed investments or the repayment of the debt facility or the future repayment of CULS and ZDP shares. On a quarterly basis, the Board reviews a working capital model produced by the Investment Adviser which highlights the Company's projected liquidity and financial commitments.

COVID-19

Whilst reporting its annual results for the year ended 29 February 2020 the Board disclosed in its Going Concern Assessment on page 25 of the Annual Report, that the market conditions generated by COVID-19 had resulted in uncertainties that, at that juncture cast significant doubt on the Company's ability to continue as a going concern and that they were unable to estimate the full extent and duration of the impact on the Company.

The Board are now in a better position to assess how COVID-19 has impacted the Company's investment portfolio and to assess the risks and uncertainties that the pandemic still pose. The Board are pleased that the Company's micro-cap portfolios have generally continued to perform well throughout the interim period and to date. This encouraging performance in the face of unprecedented circumstances gives the Board confidence in the valuation of the portfolios and the potential for growth and future valuation uplifts. The Real Estate portfolio has seen further significant write downs in value in the interim period which can be contributed in the main to the challenges retail real estate has faced resulting from the pandemic.

The Board has confidence that the micro-cap portfolios will continue to perform robustly but are mindful that market conditions means that realisations may be delayed or become more difficult.

NAV Factors

(i) Macroeconomic Risks

The Company's performance, and underlying NAV, is influenced by economic factors that affect the demand for products or services supplied by investee companies and the valuation of Real Estate interests held. Economic factors will also influence the Company's ability to invest and realise investments and the level of realised returns. Approximately 19% of the Company's investments are denominated in non-US dollar currencies, primarily the Euro. Also the Company has issued debt denominated in non-US dollar currencies, primarily Sterling. Fluctuations to these exchange rates will affect the NAV of the Company.

(ii) Underlying Investment Performance

The Company is reliant on the Investment Adviser to support the Company's investment portfolio by executing suitable investment opportunities. The Investment Adviser provides to the Board an explanation of all investment decisions and also quarterly investment reports and valuation proposals of investee companies. The Board reviews investment performance quarterly and investment decisions are checked to ensure they are consistent with the agreed investment strategy.

Share Price Trading at Discount to NAV

JZCP's share price is subject to market sentiment and will also reflect any periods of illiquidity when it may be difficult for shareholders to realise shares without having a negative impact on share price. The Directors review the share price in relation to Net Asset Value on a regular basis and determine whether to take any action to manage the discount. The Directors with the support of the Investment Adviser work with brokers to maintain interest in the Company's shares through market contact and research reports.

Gearing and Financing Costs in the Real Estate Portfolio

The cost of servicing debt in the underlying real estate structures may impact the net valuation of the real estate portfolio and subsequently the Company's NAV. Gearing in the underlying real estate structures will increase any losses arising from a downturn in property valuations.

Operational and Personnel

Although the Company has no direct employees, the Company considers what dependence there is on key individuals within the Investment Adviser and service providers that are key to the Company meeting its operational and control requirements.

The Board considers the principal risks and uncertainties above are broadly consistent with those reported at the prior year end, but wish to note the following:

- The Board recognises the Company will have an increased exposure to liquidity risk as future debt obligations near maturity.
- Gearing and the finance costs within the real estate portfolio have become less of a future risk to the Company as the current valuation of \$47.4 million (29 February 2020: \$158.7 million) now reflects the majority of write downs that could be attributed by the gearing structure and costs incurred.
- The effect of COVID-19 on market conditions means that there are challenges to completing corporate transactions and planned realisations may be delayed. This uncertainty is considered when the Board assess the Company's ability to generate sufficient realisation proceeds to meet its financial obligations.

Going Concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the judgement that an entity will continue in existence as a going concern for a period of at least 12 months from signing of the Interim Financial Statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

Due to the uncertainties that the Company will not have sufficient liquidity to repay its senior debt facility (due 12 June 2021) and redeem its CULS (due 30 July 2021) there are material uncertainties which cast significant doubt on the ability of the Company to continue as a going concern. However the Interim Financial Statements for the period ended 31 August 2020 have been prepared on a going concern basis given the Board's assessment of future realisations set out below and as the Board, with recommendation from the Audit Committee, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Report of the Directors continued

Going Concern (continued)

In reaching its conclusion, the Board have considered the risks that could impact the Company's liquidity over the period to 4 November 2021.

As part of their assessment the Audit Committee highlighted the following key considerations:

1. Whether the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 4 November 2021, including the sale of interests in certain US micro-cap portfolio companies (the "Secondary Sale") which is contingent upon Shareholder Approval; and
2. Whether, in the event that sufficient realisation proceeds referenced above are not generated by the Company before the expiration of the current loan facilities, whilst remaining within the agreed covenant terms, together with the scheduled maturity date of the CULS, the Company is able to implement an alternative plan within the required timeframe to refinance and/or restructure the loan facility and/or the CULS.

- 1. Whether the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 4 November 2021, including the Secondary Sale which is contingent upon Shareholder Approval.*

As at 31 October 2020, the Company had cash, cash equivalents and liquid investments of approximately \$55 million. Post period end, the agreed Secondary Sale will result in proceeds of approximately \$90 million, less fees and expenses. For the avoidance of doubt, the completion of the Secondary Sale is subject to pending shareholder approval. The Company has repaid Guggenheim \$20 million (post period-end) and will be obliged to repay a further \$62.7 million on completion of the Secondary Sale.

Once the Secondary Sale of U.S. micro-cap investments has completed the Company will have two major debt obligations to settle within the going concern period being;

- i) Senior Loan facility totalling approximately \$68.5 million due for settlement on or before 12 June 2021; and
- ii) CULS for settlement value of £38.9 million (approximately \$51 million) due for settlement on their scheduled maturity date of 30 July 2021.

Considering the Company's projected cash position, ongoing operating costs and the anticipated further investment required to support the Company's portfolio the Board anticipate further proceeds of \$70 million to \$80 million are required from the realisation of investments to enable the Company to settle its debts as they fall due.

The investment adviser is working on the realisation of various investments including a Secondary Sale of its interest in its European micro-cap investments. Forecast realisations for the period to redemption of the senior debt are in the range of \$85 million to \$115 million, in addition to the proceeds from the completion of the Secondary Sale of U.S. micro-cap investments mentioned above.

The Board continue to consider the levels of realisation proceeds historically generated by the Company's micro-cap portfolios as well as the accuracy of previous forecasts whilst concluding on the predicted accuracy of forecasts presented.

The Board have considered the effect of COVID-19 on market conditions which means that realisations may be delayed or become more difficult.

- 2. Whether, in the event that sufficient realisation proceeds referenced above are not generated by the Company before the expiration of the current loan facilities, whilst remaining within the agreed covenant terms, together with the scheduled maturity date of the CULS, the Company is able to implement an alternative plan within the required timeframe to refinance and/or restructure the loan facility and/or the CULS.*

JZAI personnel manage the relationship with the Company's lenders, monitor compliance with loan terms and covenants and report to the Board on matters arising.

Post period end, the Company reached agreement with Guggenheim to pay down a significant portion of the debt owed from proceeds from the agreed Secondary Sale and also for a third party, Cohanzick, to assume \$40 million of the outstanding debt. The terms of the new agreement require the Company to allocate 90% of future realisation proceeds to the repayment of the balance of the Guggenheim loan.

Prior to the new agreement, due to the fall in the valuation of the Company's real estate portfolio, the Company had breached the asset cover covenant terms of the Guggenheim loan. The Company is now in full compliance with loan covenant terms having secured more advantageous terms for itself. The current asset coverage has been reset at 3.25x rising to 3.5x on the earliest of 7 December 2020 or the date of closure of the Secondary Sale of U.S. micro-cap investments. On completion of the Secondary Sale and further repayment of the senior loan facility, the Company's asset coverage is expected to increase from approximately 3.8x to approximately 5.7x. Stress testing performed by the Company, show investment losses resulting in the reduction of 10% of total collateral would reduce the current asset coverage ratio from 3.8x to 3.5x (above the 3.25x threshold) and following the anticipated closure of the Secondary Sale and further repayment of debt in December 2020, a similar fall in the Company's investment value would see the asset coverage ratio fall from 5.7x to 5.3x (above the 3.5x threshold).

Any changes to the terms of the CULS will require the sanction of CULS holders by the approval of an extraordinary resolution of CULS holders. Any such extraordinary resolution would require the approval of not less than 75% of the votes cast by CULS holders at a duly convened meeting.

Going Concern Conclusion

After careful consideration and based on our assessment of future realisations, the Board are satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period to 4 November 2021.

The Board have determined that there are material uncertainties surrounding the Company's ability to generate sufficient liquidity to repay its senior debt facility (due 12 June 2021) and repay its CULS (due 30 July 2021) which casts significant doubt over the ability of the Company to continue as a Going Concern, based on the following key considerations:

- 1. Whether the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 4 November 2021, including the Secondary Sale which is contingent upon Shareholder Approval; and**
- 2. Whether, in the event that sufficient realisation proceeds referenced above are not generated by the Company before the expiration of the current loan facilities, whilst remaining within the agreed covenant terms, together with the scheduled maturity date of the CULS, the Company is able to implement an alternative plan within the required timeframe to refinance and/or restructure the loan facility and/or the CULS.**

The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Approved by the Board of Directors and agreed on behalf of the Board on 4 November 2020.

David Macfarlane
Chairman

Sharon Parr
Director

Investment Portfolio

	31 August 2020		Percentage of portfolio %
	Cost ¹ US\$'000	Value US\$'000	
US Micro-cap portfolio			
US Micro-cap (Verticals)			
Industrial Services Solutions²			
INDUSTRIAL SERVICES SOLUTIONS ("ISS")			
Provider of aftermarket maintenance, repair, and field services for critical process equipment throughout the US			
Total Industrial Services Solutions valuation	48,250	95,889	16.1
Testing Services Holdings^{2,3}			
TECHNICAL SOLUTIONS AND SERVICES			
Provider of safety focused solutions for the industrial, environmental and life science related markets			
CONTAMINATION CONTROL & CERTIFICATION			
Provider of testing, certification and validation services for cleanroom, critical environments and containment systems			
Total Technical Solutions and Services Vertical valuation	23,771	24,619	4.1
Flexible Packaging Vertical³			
ACW FLEX PACK, LLC			
Provider of a variety of custom flexible packaging solutions to converters and end-users			
Total Flexible Packaging Vertical valuation	10,032	11,955	2.0
Flow Controls³			
FLOW CONTROL, LLC			
Manufacturer and distributor of high-performance, mission-critical flow handling products and components utilized to connect processing line equipment			
Total Flow Control Vertical valuation	14,040	16,126	2.7
Total US Micro-cap (Verticals)	96,093	148,589	24.9

	31 August 2020		Percentage of portfolio %
	Cost ¹ US\$'000	Value US\$'000	
US Micro-cap portfolio (continued)			
US micro-cap (Co-investments)			
DEFLECTO			
Deflecto designs, manufactures and sells innovative plastic products to multiple industry segments	40,112	39,079	6.6
GEORGE INDUSTRIES			
Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets	12,179	12,177	2.0
IGLOO ²			
Designer, manufacturer and marketer of coolers and outdoor products	6,040	329	0.1
NEW VITALITY ²			
Direct-to consumer provider of nutritional supplements and personal care products	3,354	11,306	1.9
ORANGEWOOD PARTNERS PLATFORM			
Holds JZCP's proceeds from the sale of ABTB and K2 Towers II	16,722	20,500	3.4
ORANGEWOOD PARTNERS II-A LP			
Private fund managed by Orangewood Partners currently invested in K2 Towers II and Exer Urgent Care an urgent care operator.	8,028	8,028	1.3
ORIZON			
Manufacturer of high precision machine parts and tools for aerospace and defence industries	4,127	7,293	1.2
PEACEABLE STREET CAPITAL ³			
Speciality finance platform focused on commercial real estate	28,041	36,541	6.1
SALTER LABS ²			
Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	16,762	23,845	4.0
SLOAN LED ²			
Designer and manufacturer of LED lights and lighting systems	6,030	–	–
VITALYST ²			
Provider of outsourced IT support and training services	9,020	8,192	1.4
Total US Micro-cap (Co-investments)	150,415	167,290	28.0
US Micro-cap (Other)			
AVANTE HEALTH SOLUTIONS			
Provider of new and professionally refurbished healthcare equipment	7,185	9,810	1.6
FELIX STORCH ³			
Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances	50	32,000	5.4
HEALTHCARE PRODUCTS HOLDINGS ⁴			
Designer and manufacturer of motorised vehicles	17,636	–	–
NATIONWIDE STUDIOS			
Processor of digital photos for pre-schoolers	26,324	5,000	0.8
TIERPOINT ^{2,3}			
Provider of cloud computing and colocation data centre services	44,313	46,813	7.9
Total US Micro-cap (Other)	95,508	93,623	15.7
Total US Micro-cap portfolio	342,016	409,502	68.6

Investment Portfolio continued

	31 August 2020		Percentage of portfolio %
	Cost ¹ US\$'000	Value US\$'000	
European Micro-cap portfolio			
EUROMICROCAP FUND 2010, L.P. Invested in European Micro-cap entities	169	2,901	0.5
JZI FUND III, L.P. At 31 August 2020, was invested in twelve companies in the European micro-cap sector: Fincontinuo, S.A.C, Collingwood, My Lender, Alianzas en Aceros, ERSI, Treee, Factor Energia, BlueSites, Luxida, Karium and UFASA	47,120	74,409	12.5
Total European Micro-cap (measured at Fair Value)	47,289	77,310	13.0
Direct Investments			
DOCOUT ⁶ Provider of digitalisation, document processing and storage services	2,777	4,166	0.7
OMBUDS ⁶ Provider of personal security, asset protection and facilities management services	17,198	–	–
TORO FINANCE ⁶ Provides short term receivables finance to the suppliers of major Spanish companies	21,619	25,896	4.4
XACOM ⁶ Supplier of telecom products and technologies	2,055	4,428	0.8
Total European Micro-cap (Direct Investments)	43,649	34,490	5.9
Total European Micro-cap portfolio	90,938	111,800	18.9
Real Estate portfolio			
JZCP REALTY ⁵ Facilitates JZCP's investment in US real estate	443,763	47,362	8.0
Total Real Estate portfolio	443,763	47,362	8.0
Other investments			
BSM ENGENHARIA Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	0.1
JZ CERPI Blocker Ltd Proceeds from the sale of CERPI the Spruceview managed investment product	1,296	1,296	0.2
JZ INTERNATIONAL ⁴ Fund of European LBO investments	–	750	0.1
SPRUCEVIEW CAPITAL Asset management company focusing primarily on managing endowments and pension funds	31,855	20,938	3.5
Total Other investments	39,266	23,443	3.9
Listed investments			
U.S. Treasury Bill – Maturity 15 October 2020	3,394	3,395	0.6
Total Listed Investments	3,394	3,395	0.6
Total – portfolio	919,377	595,502	100.0

1 Original book cost incurred by JZCP adjusted for subsequent transactions. The book cost represents cash outflows and excludes PIK investments.

2 Co-investment with Fund A, a Related Party (Note 18).

3 Included within the Secondary Sale due to complete in December 2020 (note 21).

4 Legacy Investments. Legacy investments are excluded from the calculation of capital and income incentive fees.

5 JZCP invests in real estate indirectly through its investments in JZCP Realty Ltd. JZCP owns 100% of the shares and voting rights of JZCP Realty, Ltd.

6 Classified as Loans at Amortised Cost.

Independent Review Report to JZ Capital Partners Limited

Introduction

We have been engaged by the Company to review the Unaudited Interim Condensed Financial Statements ("Interim Financial Statements") for the six months ended 31 August 2020 which comprise the Unaudited Statement of Comprehensive Income, the Unaudited Statement of Financial Position, the Unaudited Statement of Changes in Equity, the Unaudited Statement of Cash Flows and the related notes 1 to 21. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board ("ISRE 2410"). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Interim Report and Interim Financial Statements are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the Interim Report and Interim Financial Statements in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2, the Annual Financial Statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union ("IAS 34").

Our Responsibility

Our responsibility is to express to the Company a conclusion on the Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with ISRE 2410. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International

Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements for the six months ended 31 August 2020 are not prepared, in all material respects, in accordance with IAS 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis of Matter

We draw your attention to Note 3 in the Interim Financial Statements, which states that there is material uncertainty surrounding the Company's ability to generate sufficient liquidity to repay its senior debt facility (due 12 June 2021) and repay its CULS (due 30 July 2021) based on the following key considerations i.) Whether the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 4 November 2021, in particular the Secondary Sale which is contingent upon Shareholder Approval; and ii.) Whether, in the event that sufficient realisation proceeds referenced above are not generated by the Company before the expiration of the current loan facilities, whilst remaining within the agreed covenant terms, together with the scheduled maturity date of the CULS, the Company is able to implement an alternative plan within the required timeframe to refinance and/or restructure the loan facility and/or the CULS.

Our conclusion on the Unaudited Interim Condensed Financial Statements based on our review is not modified in respect of this matter.

Ernst & Young LLP
Guernsey
Channel Islands
4 November 2020

Notes

1. The Interim Report and Financial Statements are published on websites maintained by the Investment Adviser.
2. The maintenance and integrity of these websites are the responsibility of the Investment Adviser; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Condensed Interim Financial Statements since they were initially presented on the website.
3. Legislation in Guernsey governing the preparation and dissemination of Condensed Interim Financial Statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income (Unaudited)

For the Period from 1 March 2020 to 31 August 2020

	Note	Six Month Period Ended 31 August 2020 US\$'000	Six Month Period Ended 31 August 2019 US\$'000
Income and investment and other gains			
Realisations from investments held in escrow accounts	20	801	3,923
Investment Income	8	12,697	19,984
Bank and deposit interest		124	225
Net foreign currency exchange gains		–	3,765
Gain on financial liabilities at fair value through profit or loss	13	–	4,107
		13,622	32,004
Expenses and losses			
Net loss on investments at fair value through profit or loss	6	(114,089)	(31,575)
Expected credit losses	7	(560)	(14,727)
Loss on financial liabilities at fair value through profit or loss	13	(2,836)	–
Net foreign currency exchange losses		(2,035)	–
Investment Adviser's base fee	10	(5,359)	(8,301)
Administrative expenses		(2,151)	(1,660)
Directors' remuneration		(150)	(230)
Investment Adviser's incentive fee	10	–	2,895
		(127,180)	(53,598)
Operating loss		(113,558)	(21,594)
Finance costs	9	(9,190)	(10,463)
Loss for the period		(122,748)	(32,057)
Other comprehensive income			
Gain on financial liabilities due to change in credit risk ¹	13	3,290	–
Total comprehensive loss for the period		(119,458)	(32,057)
Weighted average number of Ordinary shares in issue during the period	19	77,474,175	80,614,784
Basic loss per Ordinary share	19	(158.44)c	(39.77)c
Diluted loss per Ordinary share	19	(158.44)c	(39.84)c

1. In accordance with IFRS, the Company has calculated the movement in fair value due to the change in the credit risk of the CULS which is allocated as Other Comprehensive Income. The loss/gain on financial liabilities at fair value through profit or loss comprises the movement in the fair value attributable to the change in the benchmark interest rate and the movement attributable to foreign exchange gain/loss on translation. The gain/loss on financial liabilities due to change in credit risk for the comparative period was deemed to be immaterial.

The accompanying notes form an integral part of the Interim Financial Statements.

Statement of Financial Position (Unaudited)

As at 31 August 2020

	Note	31 August 2020 US\$'000	29 February 2020 US\$'000
Assets			
Investments at fair value through profit or loss	11	561,012	661,200
Loans at amortised cost	11	34,490	30,972
Other receivables		125	119
Cash at bank		35,656	52,912
Total assets		631,283	745,203
Liabilities			
Zero Dividend Preference shares	12	69,354	64,510
Convertible Unsecured Loan Stock	13	49,432	49,886
Loans payable	14	150,355	150,362
Investment Adviser's base fee	10	4,538	1,179
Other payables	15	1,328	1,225
Investment Adviser's incentive fee	10	–	2,307
Total liabilities		275,007	269,469
Equity			
Share capital		216,625	216,625
Other reserve		353,528	353,528
Retained deficit		(213,877)	(94,419)
Total equity		356,276	475,734
Total liabilities and equity		631,283	745,203
Number of Ordinary shares in issue at period/year end	16	77,474,175	77,474,175
Net asset value per Ordinary share		\$4.60	\$6.14

These Interim Financial Statements on pages 22 to 45 were approved by the Board of Directors and authorised for issuance on 4 November 2020. They were signed on its behalf by:

David Macfarlane *Sharon Parr*
Chairman Director

The accompanying notes form an integral part of the Interim Financial Statements.

Statement of Changes in Equity (Unaudited)

For the Period from 1 March 2020 to 31 August 2020

	Note	Share Capital US\$'000	Other Reserve US\$'000	Retained Deficit US\$'000	Total US\$'000
Balance as at 1 March 2020		216,625	353,528	(94,419)	475,734
Loss for the period		–	–	(122,748)	(122,748)
Gain on financial liabilities due to change in credit risk	13	–	–	3,290	3,290
Balance at 31 August 2020		216,625	353,528	(213,877)	356,276

Comparative for the period from 1 March 2019 to 31 August 2019

		Share Capital US\$'000	Other Reserve US\$'000	Retained Earnings US\$'000	Total US\$'000
Balance at 1 March 2019		246,604	353,528	210,130	810,262
Loss for the period		–	–	(32,057)	(32,057)
Buy back of Ordinary shares	16	(29,979)	–	–	(29,979)
Balance at 31 August 2019		216,625	353,528	178,073	748,226

The accompanying notes form an integral part of the Interim Financial Statements.

Statement of Cash Flows (Unaudited)

For the Period from 1 March 2020 to 31 August 2020

	Note	Six Month Period Ended 31 August 2020 US\$'000	Six Month Period Ended 31 August 2019 US\$'000
Cash flows from operating activities			
Cash inflows			
Realisation of investments ¹	11	3,016	117,341
Maturity of treasury bills ²	11	3,395	3,350
Escrow receipts received	20	801	3,923
Interest received from unlisted investments		249	677
Income distributions received from investments		–	1,192
Bank Interest received		124	225
Cash outflows			
Direct investments and capital calls	11	(5,714)	(51,228)
Purchase of treasury bills	11	(3,394)	(3,321)
Investment Adviser's base fee paid	10	(2,000)	(8,324)
Investment Adviser's incentive fee paid	10	(2,307)	(3,000)
Other operating expenses paid		(2,204)	(1,865)
Foreign exchange gain/(loss) realised		19	(306)
Net cash (outflow)/inflow before financing activities		(8,015)	58,664
Financing activities			
Finance costs paid:			
• Convertible Unsecured Loan Stock		(1,445)	(1,515)
• Loan Payable		(7,863)	(6,453)
Payments to buy back Company's Ordinary shares		–	(29,979)
Net cash outflow from financing activities		(9,308)	(37,947)
(Decrease)/increase in cash at bank		(17,323)	20,717
Reconciliation of net cash flow to movements in cash at bank			
		US\$'000	US\$'000
Cash and cash equivalents at 1 March		52,912	50,994
(Decrease)/increase in cash at bank		(17,323)	20,717
Unrealised foreign exchange movements on cash at bank		67	(25)
Cash and cash equivalents at period end		35,656	71,686

1 Total realisations quoted in the Interim Report of \$141.8 million, include realisations agreed post period end of \$138.0 million, and escrow receipts of \$0.8 million.

2 Includes \$10,000 of treasury bill interest received on maturity.

The accompanying notes form an integral part of the Interim Financial Statements.

Notes to the Interim Financial Statements (Unaudited)

1. General Information

JZ Capital Partners Limited ("JZCP" or the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 14 April 2008 under the Companies (Guernsey) Law, 1994. The Company is now subject to the Companies (Guernsey) Law, 2008. The Company is classified as an authorised fund under the Protection of Investors (Bailiwick of Guernsey) Law 1987. The Company's Capital consists of Ordinary shares, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS"). The Company's shares trade on the London Stock Exchange's Specialist Fund Segment ("SFS").

The Company's new investment policy, adopted this year, is for the Company to make no further investments outside of its existing obligations or to the extent that investment may be made to support selected existing portfolio investments. The intention is to realise the maximum value of the Company's investments and, after repayment of all debt, to return capital to shareholders. The Company's previous Investment Policy was to target predominantly private investments and back management teams to deliver on attractive investment propositions. In executing this strategy, the Company took a long term view. The Company looked to invest directly in its target investments and was able to invest globally but with a particular focus on opportunities in the United States and Europe.

The Company is currently mainly focused on supporting its investments in the following areas:

- (a) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and
- (b) real estate interests.

The Company has no direct employees. For its services the Investment Adviser receives a management fee and is also entitled to performance related fees (Note 10). The Company has no ownership interest in the Investment Adviser. During the period under review the Company was administered by Northern Trust International Fund Administration Services (Guernsey) Limited.

The Unaudited Condensed Interim Financial Statements (the "Interim Financial Statements") are presented in US\$'000 except where otherwise indicated.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of these Interim Financial Statements have been consistently applied during the period, unless otherwise stated.

Statement of Compliance

The Interim Financial Statements of the Company for the period 1 March 2020 to 31 August 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted in the European Union, together with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Disclosure Guidance and Transparency Rules. The Interim Financial Statements do not include all the information and disclosure required in the Annual Audited Financial Statements and should be read in conjunction with the Annual Report and Financial Statements for the year ended 29 February 2020.

Basis of Preparation

The Interim Financial Statements have been prepared under the historical cost basis, modified by the revaluation of financial instruments designated at fair value through profit or loss ("FVTPL") upon initial recognition. The principal accounting policies adopted in the preparation of these Interim Financial Statements are consistent with the accounting policies stated in Note 2 of the Annual Financial Statements for the year ended 29 February 2020. The preparation of these Interim Financial Statements are in conformity with IAS 34, "Interim Financial Reporting" as adopted in the European Union, and requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 29 February 2020. There has been no early adoption, by the Company, of any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Estimates and Judgements

The estimates and judgements made by the Board of Directors are consistent with those made in the Audited Financial Statements for the year ended 29 February 2020.

Directors' Assessment of Going Concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the judgement that an entity will continue in existence as a going concern for a period of at least 12 months from signing of the Interim Financial Statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

Due to the uncertainties that the Company will not have sufficient liquidity to repay its senior debt facility (due 12 June 2021) and redeem its CULS (due 30 July 2021) there are material uncertainties which cast significant doubt on the ability of the Company to continue as a going concern. However the Interim Financial Statements for the period ended 31 August 2020 have been prepared on a going concern basis given the Board's assessment of future realisations set out below and as the Board, with recommendation from the Audit Committee, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In reaching its conclusion, the Board have considered the risks that could impact the Company's liquidity over the period to 4 November 2021.

As part of their assessment the Audit Committee highlighted the following key considerations:

1. Whether the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 4 November 2021, including the sale of interests in certain US micro-cap portfolio companies (the "Secondary Sale") which is contingent upon Shareholder Approval; and
2. Whether, in the event that sufficient realisation proceeds referenced above are not generated by the Company before the expiration of the current loan facilities, whilst remaining within the agreed covenant terms, together with the scheduled maturity date of the CULS, the Company is able to implement an alternative plan within the required timeframe to refinance and/or restructure the loan facility and/or the CULS.

1. *Whether the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 4 November 2021, including the Secondary Sale which is contingent upon Shareholder Approval.*

As at 31 October 2020, the Company had cash, cash equivalents and liquid investments of approximately \$55 million. Post period end, the agreed Secondary Sale will result in proceeds of approximately \$90 million, less fees and expenses. For the avoidance of doubt, the completion of the Secondary Sale is subject to pending shareholder approval. The Company has repaid Guggenheim \$20 million (post period-end) and will be obliged to repay a further \$62.7 million on completion of the Secondary Sale.

Notes to the Interim Financial Statements (Unaudited) continued

3. Estimates and Judgements continued

Once the Secondary Sale of U.S. micro-cap investments has completed the Company will have two major debt obligations to settle within the going concern period being;

- i) Senior Loan facility totalling approximately \$68.5 million due for settlement on or before 12 June 2021; and
- ii) CULS for settlement value of £38.9 million (approximately \$51 million) due for settlement on their scheduled maturity date of 30 July 2021.

Considering the Company's projected cash position, ongoing operating costs and the anticipated further investment required to support the Company's portfolio the Board anticipate further proceeds of \$70 million to \$80 million are required from the realisation of investments to enable the Company to settle its debts as they fall due.

The investment adviser is working on the realisation of various investments including a Secondary Sale of its interest in its European micro-cap investments. Forecast realisations for the period to redemption of the senior debt are in the range of \$85 million to \$115 million, in addition to the proceeds from the completion of the Secondary Sale of U.S. micro-cap investments mentioned above.

The Board continue to consider the levels of realisation proceeds historically generated by the Company's micro-cap portfolios as well as the accuracy of previous forecasts whilst concluding on the predicted accuracy of forecasts presented.

The Board have considered the effect of COVID-19 on market conditions which means that realisations may be delayed or become more difficult.

2. *Whether, in the event that sufficient realisation proceeds referenced above are not generated by the Company before the expiration of the current loan facilities, whilst remaining within the agreed covenant terms, together with the scheduled maturity date of the CULS, the Company is able to implement an alternative plan within the required timeframe to refinance and/or restructure the loan facility and/or the CULS.*

JZAI personnel manage the relationship with the Company's lenders, monitor compliance with loan terms and covenants and report to the Board on matters arising.

Post period end, the Company reached agreement with Guggenheim to pay down a significant portion of the debt owed from proceeds from the agreed Secondary Sale and also for a third party, Cohanzick, to assume \$40 million of the outstanding debt. The terms of the new agreement require the Company to allocate 90% of future realisation proceeds to the repayment of the balance of the Guggenheim loan.

Prior to the new agreement, due to the fall in the valuation of the Company's real estate portfolio, the Company had breached the asset cover covenant terms of the Guggenheim loan. The Company is now in full compliance with loan covenant terms having secured more advantageous terms for itself. The current asset coverage has been reset at 3.25x rising to 3.5x on the earliest of 7 December 2020 or the date of closure of the Secondary Sale of U.S. micro-cap investments. On completion of the Secondary Sale and further repayment of the senior loan facility, the Company's asset coverage is expected to increase from approximately 3.8x to approximately 5.7x. Stress testing performed by the Company, show investment losses resulting in the reduction of 10% of total collateral would reduce the current asset coverage ratio from 3.8x to 3.5x (above the 3.25x threshold) and following the anticipated closure of the Secondary Sale and further repayment of debt in December 2020, a similar fall in the Company's investment value would see the asset coverage ratio fall from 5.7x to 5.3x (above the 3.5x threshold).

Any changes to the terms of the CULS will require the sanction of CULS holders by the approval of an extraordinary resolution of CULS holders. Any such extraordinary resolution would require the approval of not less than 75% of the votes cast by CULS holders at a duly convened meeting.

Going Concern Conclusion

After careful consideration and based on our assessment of future realisations, the Board are satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period to 4 November 2021.

The Board have determined that there are material uncertainties surrounding the Company's ability to generate sufficient liquidity to repay its senior debt facility (due 12 June 2021) and repay its CULS (due 30 July 2021) which casts significant doubt over the ability of the Company to continue as a Going Concern, based on the following key considerations:

- 1. Whether the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 4 November 2021, including the Secondary Sale which is contingent upon Shareholder Approval; and**
- 2. Whether, in the event that sufficient realisation proceeds referenced above are not generated by the Company before the expiration of the current loan facilities, whilst remaining within the agreed covenant terms, together with the scheduled maturity date of the CULS, the Company is able to implement an alternative plan within the required timeframe to refinance and/or restructure the loan facility and/or the CULS.**

4. Segment Information

The Investment Manager is responsible for allocating resources available to the Company in accordance with the overall business strategies as set out in the Investment Guidelines of the Company. The Company is organised into the following segments:

- Portfolio of US micro-cap investments
- Portfolio of European micro-cap investments
- Portfolio of Real estate investments
- Portfolio of Other investments – (not falling into above categories)

Investments in treasury bills are not considered as part of the investment strategy and are therefore excluded from this segmental analysis.

The investment objective of each segment is to achieve consistent medium-term returns from the investments in each segment while safeguarding capital by investing in a diversified portfolio.

Notes to the Interim Financial Statements (Unaudited) continued

4. Segment Information continued Segmental Operating Profit/(loss)

For the period from 1 March 2020 to 31 August 2020

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Interest revenue	11,443	1,245	–	–	12,688
Total segmental revenue	11,443	1,245	–	–	12,688
Net (loss)/gain on investments at FVTPL	(8,074)	7,034	(113,049)	–	(114,089)
Expected credit losses	–	(560)	–	–	(560)
Realisations from investments held in Escrow	801	–	–	–	801
Investment Adviser's base fee	(3,087)	(785)	(968)	(175)	(5,015)
Total segmental operating profit/(loss)	1,083	6,934	(114,017)	(175)	(106,175)

For the period from 1 March 2019 to 31 August 2019

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Interest revenue	15,980	2,742	32	–	18,754
Dividend revenue	–	1,192	–	–	1,192
Total segmental revenue	15,980	3,934	32	–	19,946
Net gain/(loss) on investments at FVTPL	29,331	3,097	(64,003)	–	(31,575)
Expected credit losses	–	(14,727)	–	–	(14,727)
Realisations from investments held in Escrow	3,923	–	–	–	3,923
Investment Adviser's base fee	(3,420)	(827)	(3,379)	(147)	(7,773)
Investment Adviser's capital incentive fee ¹	(10,074)	240	12,729	–	2,895
Total segmental operating profit/(loss)	35,740	(8,283)	(54,621)	(147)	(27,311)

¹ The capital incentive fee is allocated across segments where a realised or unrealised gain or loss has occurred. Segments with realised or unrealised losses are allocated a credit pro rata to the size of the loss and segments with realised or unrealised gains are allocated a charge pro rata to the size of the gain. No capital incentive fee was payable for the period ended 31 August 2020.

Certain income and expenditure is not considered part of the performance of an individual segment. This includes net foreign exchange gains, interest on cash, finance costs, management fees, custodian and administration fees, directors' fees and other general expenses.

The following table provides a reconciliation between total segmental operating loss and operating loss:

	Period ended 31.8.2020 US\$ '000	Period ended 31.8.2019 US\$ '000
Total segmental operating loss	(106,175)	(27,311)
(Loss)/gain on financial liabilities at fair value through profit or loss	(2,836)	4,107
Net foreign exchange (loss)/gain	(2,035)	3,765
Bank and deposit interest	124	225
Expenses not attributable to segments	(2,301)	(1,890)
Fees payable to investment adviser based on non-segmental assets	(344)	(528)
Interest on US treasury bills	9	38
Operating loss	(113,558)	(21,594)

The following table provides a reconciliation between total segmental revenue and Company revenue:

	Period ended 31.8.2020 US\$ '000	Period ended 31.8.2019 US\$ '000
Total segmental revenue	12,688	19,946
<i>Non-segmental revenue</i>		
Bank and deposit interest	124	225
Interest on US treasury bills	9	38
Total revenue	12,821	20,209

Segmental Net Assets

At 31 August 2020

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Segmental assets					
Investments at FVTPL	409,502	77,310	47,362	23,443	557,617
Loans at amortised cost	–	34,490	–	–	34,490
Other receivables	–	–	80	–	80
Total segmental assets	409,502	111,800	47,442	23,443	592,187
Segmental liabilities					
Payables and accrued expenses	(3,467)	(804)	(340)	(169)	(4,780)
Total segmental liabilities	(3,467)	(804)	(340)	(169)	(4,780)
Total segmental net assets	406,035	110,996	47,102	23,274	587,407

At 29 February 2020

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Segmental assets					
Investments at FVTPL	404,880	71,619	158,712	22,603	657,814
Loans at amortised cost	–	30,972	–	–	30,972
Other receivables	–	–	80	–	80
Total segmental assets	404,880	102,591	158,792	22,603	688,866
Segmental liabilities					
Payables and accrued expenses	(3,290)	(113)	(501)	(23)	(3,927)
Total segmental liabilities	(3,290)	(113)	(501)	(23)	(3,927)
Total segmental net assets	401,590	102,478	158,291	22,580	684,939

Notes to the Interim Financial Statements (Unaudited) continued

4. Segment Information continued

The following table provides a reconciliation between total segmental assets and total assets and total segmental liabilities and total liabilities:

	31.8.2020 US\$ '000	29.2.2020 US\$ '000
Total segmental assets	592,187	688,866
Non-segmental assets		
Treasury Bills	3,395	3,386
Cash at bank	35,656	52,912
Other receivables	45	39
Total assets	631,283	745,203
Total segmental liabilities	(4,780)	(3,927)
Non-segmental liabilities		
Zero Dividend Preference shares	(69,354)	(64,510)
Convertible Unsecured Loan Stock	(49,432)	(49,886)
Loans payable	(150,355)	(150,362)
Other payables	(1,086)	(784)
Total liabilities	(275,007)	(269,469)
Total net assets	356,276	475,734

5. Fair Value of Financial Instruments

The Company classifies fair value measurements of its financial instruments at FVTPL using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The financial instruments valued at FVTPL are analysed in a fair value hierarchy based on the following levels:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Those involving inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For example, investments which are valued based on quotes from brokers (intermediary market participants) are generally indicative of Level 2 when the quotes are executable and do not contain any waiver notices indicating that they are not necessarily tradeable. Another example would be when assets/liabilities with quoted prices, that would normally meet the criteria of Level 1, do not meet the definition of being traded on an active market. At the period end, the Company had assessed that the liabilities valued at FVTPL being the CULS and valued using the quoted ask price, would be classified as level 2 within the valuation method as they are not regularly traded.

Level 3

Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Investments in JZCP's portfolio valued using unobservable inputs such as multiples, capitalisation rates, discount rates (see page 34) fall within Level 3.

Differentiating between Level 2 and Level 3 fair value measurements i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Financial assets at 31 August 2020

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap	–	–	409,502	409,502
European micro-cap	–	–	77,310	77,310
Real estate	–	–	47,362	47,362
Other investments	–	–	23,443	23,443
Listed investments	3,395	–	–	3,395
	3,395	–	557,617	561,012

Financial assets at 29 February 2020

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap	–	–	404,880	404,880
European micro-cap	–	–	71,619	71,619
Real estate	–	–	158,712	158,712
Other investments	–	–	22,603	22,603
Listed investments	3,386	–	–	3,386
	3,386	–	657,814	661,200

Valuation techniques

The same valuation methodology and process was deployed as for the year ended 29 February 2020.

Financial Liabilities Designated at Fair Value Through Profit or Loss at Inception

Financial liabilities at 31 August 2020

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
CULS	–	49,432	–	49,432
	–	49,432	–	49,432

Financial liabilities at 28 February 2020

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
CULS	–	49,886	–	49,886
	–	49,886	–	49,886

Market transactions for the CULS do not take place with sufficient frequency and volume to provide adequate pricing information on an ongoing basis and therefore it is considered the CULS are not traded in an active market and are therefore categorised at Level 2 as defined by IFRS.

Notes to the Interim Financial Statements

(Unaudited) continued

5. Fair Value of Financial Instruments continued

Quantitative information of significant unobservable inputs and sensitivity analysis to significant changes in unobservable inputs within level 3 hierarchy

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 31 August 2020 and 29 February 2020 are shown below:

	Value 31.8.2020 US\$'000	Valuation Technique	Unobservable Input	Range (weighted average)	Sensitivity Used	Approx. Impact on Fair Value US\$'000	
US micro-cap investments	409,502	EBITDA Multiple	Average EBITDA Multiple of Peers	6.5x-16.3x (9.0x)	-0.5x/+0.5x	(34,447)	34,295
			Discount to Average Multiple	10%-30% (18%)	+5%/-5%	(45,609)	44,964
European micro-cap investments	77,310	EBITDA Multiple	Average EBITDA Multiple of Peers	6.6x-13.8x (9.3x)	-0.5x/+0.5x	(4,457)	4,430
			Discount to Average Multiple	7%-56% (25%)	+5%/-5%	(3,842)	3,811
Real estate ^{1,2}	24,271	Comparable Sales	Market Value Per Square Foot	\$200-\$826 (\$340) per sq ft	-10%/+10%	(10,057)	10,134
	610	DCF Model/Income Approach	Capitalisation Rate	5.5%	+50bps/ -50bps	(610)	842
			Discount Rate	6.5%			
	22,481	Cap Rate/ Income Approach	Capitalisation Rate	5.25%-6.5% (5.9%)	+50bps/ -50bps	(7,925)	14,146
Other investments	20,938	AUM Approach	AUM	\$3.0 Bn-\$4.0 Bn	-10%/+10%	(4,744)	4,744
			% Applied to AUM	2.4%	-10%/+10%	(2,090)	2,090

	Value 29.2.2020 US\$'000	Valuation Technique	Unobservable Input	Range (weighted average)	Sensitivity Used	Approx. Impact on Fair Value US\$'000	
US micro-cap investments	404,880	EBITDA Multiple	Average EBITDA Multiple of Peers	6.5%-16.3% (8.7%)	-0.5x/+0.5x	(32,240)	33,918
			Discount to Average Multiple	10%-30% (17%)	+5%/-5%	(39,497)	40,898
European micro-cap investments	71,619	EBITDA Multiple	Average EBITDA Multiple of Peers	6.7x-14.0x (10.0x)	-0.5x/+0.5x	(4,210)	4,210
			Discount to Average Multiple	3%-58% (16%)	+5%/-5%	(4,380)	4,380
Real estate ²	73,126	Comparable Sales	Market Value Per Square Foot	\$286-\$1,964 (\$795) per sq ft	-10%/+10%	(21,188)	22,717
	45,283	DCF Model/Income Approach	Capitalisation Rate	5.25%-5.75% (5.5%)	+50bps/ -50bps	(19,797)	27,497
			Discount Rate	6.25%-7.50% (6.5%)			
	32,518	Cap Rate/Income Approach	Capitalisation Rate	4.75%-6.0% (5.75%)	+50bps/ -50bps	(13,671)	16,084
Other investments	20,338	AUM Approach	AUM	\$3.2 Bn	-10%/+10%	(4,065)	4,065
			% Applied to AUM	2.6%	-10%/+10%	(2,034)	2,034

1 The real estate portfolio recorded losses during the period of \$113.0 million. Fair value losses are also attributable to the cost of servicing debt and the foreclosure or likely foreclosure of properties as well as the changes in appraisal metrics (shown above).

2 Sensitivity is applied to the property value and then the debt associated to the property is deducted before the impact to JZCP's equity value is calculated. Due to gearing levels in the property structures an increase in the sensitivity of measurement metrics at property level will result in a significantly greater impact at JZCP's equity level.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

Period ended 31 August 2020

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
At 1 March 2020	404,880	71,619	158,712	22,603	657,814
Investments in year including capital calls	1,574	1,601	1,699	840	5,714
Payment in kind ("PIK")	1,755	–	–	–	1,755
Proceeds from investments realised	(72)	(2,944)	–	–	(3,016)
Net (loss)/gain on investments	(8,074)	7,034	(113,049)	–	(114,089)
Movement in accrued interest	9,439	–	–	–	9,439
At 31 August 2020	409,502	77,310	47,362	23,443	557,617

Year ended 29 February 2020

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
At 1 March 2019	478,970	70,686	443,044	18,302	1,011,002
Investments in year including capital calls	9,678	12,635	51,196	4,301	77,810
Payment in kind ("PIK")	26,205	–	–	–	26,205
Proceeds from investments realised	(122,031)	(13,643)	(4,622)	–	(140,296)
Net gain/(loss) on investments	12,459	1,941	(330,906)	–	(316,506)
Movement in accrued interest	(401)	–	–	–	(401)
At 29 February 2020	404,880	71,619	158,712	22,603	657,814

Fair Value of Zero Dividend Preference ("ZDP") Shares

The fair value of the ZDP shares is deemed to be their quoted market price. As at 31 August 2020 the ask price for the ZDP (2022) shares was £3.00 (29 February 2020: £4.34 per share) the total fair value of the ZDP shares was \$47,832,000 (29 February 2020: \$66,010,000) which is \$21,522,000 lower (29 February 2020: \$1,500,000 higher) lower than the liability recorded in the Statement of Financial Position.

ZDP shares are recorded at amortised cost and would fall in to the Level 2 hierarchy if valued at FVTPL.

Notes to the Interim Financial Statements (Unaudited) continued

6. Net Loss on Investments at Fair Value Through Profit or Loss

	Period ended 31.8.2020 US\$ '000	Period ended 31.8.2019 US\$ '000
<i>Loss on investments held in investment portfolio at period end</i>		
Net movement in period end unrealised gain position	(111,517)	(55,727)
Unrealised gains in prior periods now realised	9,128	13,259
Net unrealised losses in the period	(102,389)	(42,468)
<i>Net (losses)/gains on investments realised in the period</i>		
Proceeds from investments realised	6,411	120,691
Cost of investments realised	(8,983)	(96,539)
Unrealised gains in prior periods now realised	(9,128)	(13,259)
Total net (loss)/gain in the period on investments realised in the period	(11,700)	10,893
Net loss on investments in the period	(114,089)	(31,575)

7. Expected Credit Losses

	Period ended 31.8.2020 US\$ '000	Period ended 31.8.2019 US\$ '000
Impairment on loans during period	560	14,727

Expected Credit Losses ("ECLs") are recognised in three stages. Stage one being for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). Stage two being for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Stage three being credit exposures which are considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

As from 1 December 2019, the Company provided for ECLs to write down the value of the Ombuds loans to nil as no recovery is expected. Following the default event, the loan is now classified as Level 3 stage, consequently no further interest is being recognised on the loan. ECLs recognised on other direct loan investments are done per the stage one methodology being the recognition of expected losses over a 12 month period (or to maturity date if earlier).

8. Investment Income

	Period ended 31.8.2020 US\$ '000	Period ended 31.8.2019 US\$ '000
Interest calculated using the effective interest rate method	1,245	2,742
Other interest and similar income	11,452	17,242
	12,697	19,984

Income for the period ended 31 August 2020

Portfolio	Preferred Interest US\$ '000	Loan note Interest		Dividend US\$ '000	Other Interest US\$ '000	Total US\$ '000
		PIK US\$ '000	Cash US\$ '000			
US micro-cap	11,035	154	254	–	–	11,443
European micro-cap	–	1,245	–	–	–	1,245
Listed investments	–	–	–	–	9	9
	11,035	1,399	254	–	9	12,697

Income for the period ended 31 August 2019

Portfolio	Preferred Interest US\$ '000	Loan note Interest		Dividend US\$ '000	Other Interest US\$ '000	Total US\$ '000
		PIK US\$ '000	Cash US\$ '000			
US micro-cap	15,231	104	645	–	–	15,980
European micro-cap	–	2,742	–	1,192	–	3,934
Real estate	–	–	–	–	32	32
Listed investments	–	–	–	–	38	38
	15,231	2,846	645	1,192	70	19,984

9. Finance Costs

	Period ended 31.8.2020 US\$ '000	Period ended 31.8.2019 US\$ '000
<i>Interest expense calculated using the effective interest method</i>		
ZDP shares (Note 12)	1,636	1,563
Loan payable (Note 14)	6,109	7,385
	7,745	8,948
<i>Other interest and similar expense</i>		
CULS interest paid (Note 13)	1,445	1,515
	9,190	10,463

Notes to the Interim Financial Statements (Unaudited) continued

10. Fees Payable to the Investment Adviser Investment Advisory and Performance Fees

The Company entered into the amended and restated investment advisory and management agreement with Jordan/Zalaznick Advisers, Inc. (the "Investment Adviser") on 23 December 2010 (the "Advisory Agreement").

Pursuant to the Advisory Agreement, the Investment Adviser is entitled to a base management fee and to an incentive fee. The base management fee is an amount equal to 1.5 per cent per annum of the average total assets under management of the Company less those assets identified by the Company as being excluded from the base management fee, under the terms of the agreement. The base management fee is payable quarterly in arrears; the agreement provides that payments in advance on account of the base management fee will be made.

For the six-month period ended 31 August 2020, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of \$5,359,000 (period ended 31 August 2019: \$8,301,000). Of this amount \$4,538,000 (29 February 2020: \$1,179,000) was due and payable at the period end.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the Company ("Income Incentive fee") and is payable quarterly in arrears provided that the net investment income for the quarter exceeds 2 per cent of the average of the net asset value of the Company for that quarter (the "hurdle") (8 per cent. annualised). The fee is an amount equal to (a) 100 per cent of that proportion of the net investment income for the quarter as exceeds the hurdle, up to an amount equal to a hurdle of 2.5%, and (b) 20 per cent of the net investment income of the Company above a hurdle of 2.5% in any quarter. Investments categorised as legacy investments and other assets identified by the Company as being excluded are excluded from the calculation of the fee. A true-up calculation is also prepared at the end of each financial year to determine if further fees are payable to the Investment Adviser or if any amounts are recoverable from future income incentive fees.

For the periods ended 31 August 2020 and 31 August 2019 there was no income incentive fee payable.

The second part of the incentive fee is calculated by reference to the net realised capital gains ("Capital Gains Incentive fee") of the Company and is equal to: (a) 20 per cent. of the realised capital gains of the Company for each financial year less all realised capital losses of the Company for the year less (b) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser. The capital gains incentive is payable in arrears within 90 days of the fiscal year end. Investments categorised as legacy investments are excluded from the calculation of the fee. Assets of JZI Fund III and EuroMicrocap Fund 2010, L.P. are also excluded from the Capital Gains Incentive fee ("CGIF"). Carried interest, of an amount equivalent to the CGIF payable under the Advisory Agreement, is payable by the funds to an affiliate of JZAI.

For the purpose of calculating incentive fees cumulative preferred dividends received on the disposal of an investment are treated as a capital return rather than a receipt of income.

During the year ended 29 February 2020, the Investment Adviser agreed to waive fees payable by the Company relating to realised gains in the years ended February 2019 and 2020. No further incentive fees will be paid to the Investment Adviser until the Company and Investment Adviser have mutually agreed to reinstate such payments.

The Company also provides for a CGIF based on unrealised gains, calculated on the same basis as that of the fee on realised gains/losses. As the Company's investments are in a net loss position, no provision is included for the period ended 31 August 2020 and no provision was included at the prior year end of 29 February 2020.

	Provision at 31.8.2020 US\$ '000	Provision at 29.2.2020 US\$ '000	Paid during period 31.8.2020 US\$ '000	Expense for the period ended 31.8.2020 US\$ '000
CGIF on realised investments	–	2,307	(2,307)	–
Provision for CGIF on unrealised investments	–	–	n/a	–
	–	2,307	(2,307)	–

	Provision at 31.8.2019 US\$ '000	Provision at 28.2.2019 US\$ '000	Paid during period 31.8.2019 US\$ '000	Expense for the period ended 31.8.2019 US\$ '000
CGIF on realised investments	27,444	21,429	(3,000)	9,015
Provision for CGIF on unrealised investments	9,432	21,342	n/a	(11,910)
	36,876	42,771	(3,000)	(2,895)

11. Investments

	Listed FVTPL 31.8.2020 US\$ '000	Unlisted FVTPL 31.8.2020 US\$ '000	Unlisted Loans 31.8.2020 US\$ '000	Carrying Value Total 31.8.2020 US\$ '000
Book cost at 1 March 2020	3,385	970,184	71,939	1,045,508
Investments in period including capital calls	3,394	5,714	–	9,108
Payment in kind ("PIK")	–	1,755	531	2,286
Proceeds from investments matured/realised	(3,395)	(3,016)	–	(6,411)
Income received on maturity	10	–	–	10
Net realised loss	–	(2,572)	–	(2,572)
Book cost at 31 August 2020	3,394	972,065	72,470	1,047,929
Unrealised investment and foreign exchange loss	–	(427,666)	(8,348)	(436,014)
Impairment on loans at amortised cost	–	–	(30,821)	(30,821)
Accrued interest	1	13,218	1,189	14,408
Carrying value at 31 August 2020	3,395	557,617	34,490	595,502

	Listed FVTPL 29.2.2020 US\$ '000	Unlisted FVTPL 29.2.2020 US\$ '000	Unlisted Loans 29.2.2020 US\$ '000	Carrying Value Total 29.2.2020 US\$ '000
Book cost at 1 March 2019	3,312	980,120	66,849	1,050,281
Investments in year including capital calls	6,706	77,810	–	84,516
Payment in kind ("PIK")	–	26,205	5,090	31,295
Proceeds from investments matured/realised	(6,700)	(140,296)	–	(146,996)
Interest received on maturity	67	–	–	67
Net realised investment and foreign exchange gain	–	26,345	–	26,345
Book cost at 29 February 2020	3,385	970,184	71,939	1,045,508
Unrealised investment and foreign exchange loss	–	(316,149)	(11,077)	(327,226)
Impairment on loans at amortised cost	–	–	(30,261)	(30,261)
Accrued interest	1	3,779	371	4,151
Carrying value at 29 February 2020	3,386	657,814	30,972	692,172

The cost of PIK investments is deemed to be interest not received in cash but settled by the issue of further securities when that interest has been recognised in the Statement of Comprehensive Income.

Notes to the Interim Financial Statements (Unaudited) continued

11. Investments continued

Loans at amortised cost

Interest on the loans accrues at the following rates:

	As At 31 August 2020				As At 29 February 2020			
	8% \$'000	10% \$'000	14% \$'000	Total \$'000	8% \$'000	10% \$'000	14% \$'000	Total \$'000
Loans at amortised cost	25,896	2,038	6,556	34,490	25,289	1,616	4,067	30,972

Maturity dates are as follows:

	As At 31 August 2020				As At 29 February 2020			
	0-6 months \$'000	7-12 months \$'000	1-2 years \$'000	Total \$'000	0-6 months \$'000	7-12 months \$'000	1-2 years \$'000	Total \$'000
Loans at amortised cost	30,324	4,166	–	34,490	3,827	27,145	–	30,972

12. Zero Dividend Preference (“ZDP”) shares

On 1 October 2015, the Company rolled over 11,907,720 existing ZDP (2016) shares into new ZDP shares with a 2022 maturity date. The new ZDP shares (ZDP 2022) have a gross redemption yield of 4.75% and a total redemption value of £57,598,000 (approximately \$77,121,000 using the period end exchange rate).

ZDP shares are designed to provide a pre-determined final capital entitlement which ranks behind the Company’s creditors but in priority to the capital entitlements of the Ordinary shares. The ZDP shares carry no entitlement to income and the whole of their return will therefore take the form of capital. In certain circumstances, ZDP shares carry the right to vote at general meetings of the Company as detailed in the Company’s Memorandum and Articles of Incorporation. Issue costs are deducted from the cost of the liability and allocated to the Statement of Comprehensive Income over the life of the ZDP shares.

ZDP (2022) Shares

	31.8.2020 US\$ '000	29.2.2020 US\$ '000
Amortised cost at 1 March	64,510	63,838
Finance costs allocated to Statement of Comprehensive Income	1,636	3,211
Unrealised currency gain on translation	3,208	(2,539)
Amortised cost at period/year end	69,354	64,510
Total number of ZDP shares in issue	11,907,720	11,907,720

13. Convertible Subordinated Unsecured Loan Stock (“CULS”)

On 30 July 2014, JZCP issued £38,861,140 6% CULS. Holders of CULS may convert the whole or part (being an integral multiple of £10 in nominal amount) of their CULS into Ordinary Shares. The initial conversion price was £6.0373 per Ordinary Share, which shall be subject to adjustment to deal with certain events which would otherwise dilute the conversion of the CULS.

CULS bear interest on their nominal amount at the rate of 6.00 per cent. per annum, payable semi-annually in arrears. During the six-month period ended 31 August 2020: \$1,445,000 (31 August 2019: \$1,515,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

In accordance with IFRS, the Company has calculated the movement in fair value due to the change in the credit risk of the CULS which is allocated as Other Comprehensive Income in the Statement of Comprehensive Income.

	31.8.2020 US\$ '000	29.2.2020 US\$ '000
Fair Value of CULS at 1 March	49,886	54,274
Unrealised movement in value of CULS due to change in Company's Credit Risk	(3,290)	–
Unrealised movement in the fair value of CULS allocated to change in observed (benchmark) interest rate	560	(2,326)
Unrealised currency loss/(gain) on translation during the period/year	2,276	(2,062)
Loss/(gain) to the Company on movement in the fair value of CULS	2,836	(4,388)
Fair Value of CULS based on offer price	49,432	49,886

14. Loan Payable Guggenheim Partners Limited

On 12 June 2015, JZCP entered into a loan agreement with Guggenheim Partners Limited (“Guggenheim”). The agreement was structured so that part of the proceeds €18 million were received and will be repaid in Euros and the remainder of the facility \$80 million was received in US dollars. During April 2017, JZCP increased its credit facility with Guggenheim by a further \$50 million.

The loan matures on 12 June 2021 (6 year term) and interest is payable at 5.75% + LIBOR¹. There is an interest rate floor that stipulates LIBOR will not be lower than 1%. In this agreement, the presence of the floor does not significantly alter the amortised cost of the instrument, therefore separation is not required and the loan is valued at amortised cost using the effective interest rate method.

Post period end, the Company announced that it has reached agreement to amend the terms of its existing loan agreement with Guggenheim. Under the terms of the Amended Senior Loan Facility, approximately \$40 million of the outstanding principal amount has been assigned to clients and funds advised by Cohanzick Management, LLC and CrossingBridge Advisors, LLC (“Cohanzick”). The Company has subsequently repaid \$20.0 million to Guggenheim and has agreed to repay a further \$62.7 million on the completion of the Secondary Sale of certain U.S micro-cap investments. Cohanzick have agreed, pursuant to an agreement among lenders, to be subordinated to Guggenheim and it has been agreed under the Amended Senior Facility that the interest rate payable by the Company for the loans funded by the new lender will accrue interest at a rate of LIBOR +11.00%.

Prior to the new agreement, due to the fall in the valuation of the Company's real estate portfolio, the Company had breached the asset cover covenant terms of the Guggenheim loan. The Company has now secured more advantageous covenant terms for itself including the asset coverage covenant being reset at a lower threshold and is now in full compliance with covenant terms. The terms of the new agreement require the Company allocate 90% of future realisation proceeds to the repayment of the Guggenheim balance.

Notes to the Interim Financial Statements (Unaudited) continued

14. Loan Payable continued

Guggenheim Partners Limited continued

	31.8.2020 US\$ '000	29.2.2020 US\$ '000
Amortised cost (US\$ drawdown) – 1 March	130,523	128,838
Amortised cost (Euro drawdown) – 1 March	19,839	20,389
Finance costs charged to Statement of Comprehensive Income	6,109	14,293
Interest and finance costs paid	(7,863)	(12,436)
Unrealised currency (loss)/gain on translation of Euro drawdown	1,747	(722)
Amortised cost at period/year end	150,355	150,362
Amortised cost (US\$ drawdown)	128,999	130,523
Amortised cost (Euro drawdown)	21,356	19,839
	150,355	150,362

The carrying value of the loans approximates to fair value.

1 LIBOR rates applied are the US dollar 3 month rate (\$130 million) and the Euro 3-month rate (€18 million).

15. Other Payables

	31.8.2020 US\$ '000	29.2.2020 US\$ '000
Provision for tax on dividends received not withheld at source	523	523
Audit fees	268	190
Legal fees provision	250	250
Directors' remuneration	50	58
Other expenses	237	204
	1,328	1,225

16. Ordinary Shares – Issued Capital

	31.8.2020 Number of shares	29.2.2020 Number of shares
Total Ordinary shares in issue	77,474,175	77,474,175

The Company's shares trade on the London Stock Exchange's Specialist Fund Segment.

During the comparative period ended 31 August 2019, the Company bought back 3,192,663 of its own Ordinary shares as part of a tender offer. The total cost of the repurchase of the shares was \$29.979 million.

17. Commitments

At 31 August 2020 and 29 February 2020, JZCP had the following financial commitments outstanding in relation to fund investments:

	Expected date of Call	31.8.2020 US\$ '000	29.2.2020 US\$ '000
JZI Fund III GP, L.P. €26,580,957 (29.2.2020: €23,617,789)	< 2 years	31,789	25,943
Orangewood Partners II-A LP ¹	Over 3 years	15,404	17,247
Spruceview Capital Partners, LLC ²	< 1 year	1,900	220
Igloo Products Corp	Over 3 years	240	240
CERPI		–	3,080
Suzo Happ Group		–	2,039
		49,333	48,769

1 Post period end, the Company was relieved of \$9.25 million of its total commitment to the Orangewood Fund. Of the commitments relieved \$6.128 million were outstanding at the period end. As at the date of this report, JZCP's outstanding commitment to the Orangewood Fund was \$9.275 million.

2 As approved by a shareholder vote on 12 August 2020, JZCP has the ability to make up to approximately \$4.1 million in further commitments to Spruceview, above the \$1.9 million unfunded commitments as at 31 August 2020.

18. Related Party Transactions

JZAI is a US based company founded by David Zalaznick and John ("Jay") Jordan II, that provides advisory services to the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 10. JZAI and various affiliates provide services to certain JZCP portfolio companies and may receive fees for providing these services pursuant to the Advisory Agreement.

JZCP invests in European micro-cap companies through JZI Fund III, L.P. ("Fund III"). Previously investments were made via the EuroMicrocap Fund 2010, L.P. ("EMC 2010"). Fund III and EMC 2010 are managed by an affiliate of JZAI. At 31 August 2020, JZCP's investment in Fund III was valued at \$74.4 million (29 February 2020: \$68.9 million). JZCP's investment in EMC 2010 was valued at \$2.9 million (29 February 2020: \$2.7 million).

JZCP has invested in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 31 August 2020, was \$33.5 million with \$1.9 million of this amount remaining unfunded and outstanding. As approved by a shareholder vote on 12 August 2020, JZCP has the ability to make up to approximately \$4.1 million in further commitments to Spruceview, above the \$33.5 million committed as of 31 August 2020. Should this approved capital be committed to Spruceview, it would be committed on the same 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates).

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by an affiliate of JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 31 August 2020, the total value of JZCP's investment in these co-investments was \$211.0 million (29 February 2020: \$218.7 million). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP and, in the case of Testing Services Holdings, LLC, these entities have failed to make certain preferred ownership investments alongside JZCP. As a consequence, the common ownership interest of the Fund A Partnerships in Testing Services has been diluted.

Total Directors' remuneration for the six-month period ended 31 August 2020 was \$150,000 (31 August 2019: \$230,000).

Notes to the Interim Financial Statements (Unaudited) continued

18. Related Party Transactions continued

Post period end, following shareholder approval, JZAI Founders Jay Jordan and David Zalaznick relieved the Company of \$4.25 million of its commitments to the Orangewood Fund and also a further \$8.64 million being the Company's maximum potential commitment to CERPI (the investment fund managed by Spruceview Capital Partners).

Post period end, the Company announced that it has agreed pending shareholder approval to sell its interests in certain US micro-cap portfolio companies (the "Secondary Sale") to a secondary fund led by Hamilton Lane Advisors, L.L.C. The Secondary Sale will be structured as a sale and contribution to a newly formed fund, JZHL Secondary Fund LP, managed by an affiliate of JZAI.

19. Basic and Diluted Earnings/(Loss) per Share

Basic loss per share are calculated by dividing the loss for the period by the weighted average number of Ordinary shares outstanding during the period.

For the period ended 31 August 2020 the weighted average number of Ordinary shares outstanding during the period was 77,474,175 (31 August 2019: 80,614,784).

The diluted earnings per share are calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary shares. The weighted average of the number of Ordinary shares is adjusted assuming the conversion of the CULS ("If-converted method"). Conversion is assumed even though at 31 August 2020 and 31 August 2019 the exercise price of the CULS is higher than the market price of the Company's Ordinary shares and are therefore deemed 'out of the money'. Earnings are adjusted to remove the fair value loss recorded of \$2,836,000 (31 August 2019: gain of \$4,107,000) and finance cost attributable to CULS \$1,445,000 (31 August 2019: \$1,515,000).

For the period ended 31 August 2020, the potential conversion of the CULS would have been anti-dilutive to the total loss per share, therefore the diluted loss per share is presented as per the basic loss per share calculation.

20. Contingent Assets

Amounts held in escrow accounts

When investments have been disposed of by the Company, proceeds may reflect contractual terms requiring that a percentage is held in an escrow account pending resolution of any indemnifiable claims that may arise.

At 31 August 2020 and 29 February 2020, the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore disclosed the escrow accounts as a contingent asset.

As at 31 August 2020 and 29 February 2020, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

	Amount in Escrow	
	31.8.2020 US\$'000	29.2.2020 US\$'000
Bolder Healthcare Solutions	50	343
Triwater Holdings	309	644
Xpress Logistics (AKA Priority Express)	19	153
	378	1,140

During the period ended 31 August 2020, proceeds of \$801,000 (31 August 2019: \$3,923,000) were realised and recorded in the Statement of Comprehensive Income. The prior year end position has been adjusted for additional potential escrow proceeds of \$39,000 that are now recognised.

21. Subsequent Events

These interim financial statements were approved by the Board on 4 November 2020. Events subsequent to the period end 31 August 2020 have been evaluated until this date.

- (i) Post period end, the Company announced that it has agreed pending shareholder approval to sell its interests in certain US micro-cap portfolio companies (the "Secondary Sale") to a secondary fund led by Hamilton Lane Advisors, L.L.C. The Secondary Sale will be structured as a sale and contribution to a newly formed fund, JZHL Secondary Fund LP, managed by an affiliate of JZAI.

The Company will receive consideration for the Secondary Sale comprised of: (i) Cash Consideration, being \$90 million (less any fees and expenses), subject to certain adjustments; and (ii) a special limited partner interest in JZHL Secondary Fund LP.

The value of the Special LP Interest to the Company, following the execution of the Sale Agreement, should be approximately \$40.0 million. Adding this figure to the cash consideration of \$90 million (less any fees and expenses) would indicate a write down to the Company's net asset value of approximately \$38.0 million, when compared against the aggregate net asset value of the US micro-cap companies at 31 August 2020 of \$168.0 million.

- (ii) Post period end, the Company announced that it has reached agreement to amend the terms of its existing loan agreement with Guggenheim. Under the terms of the Amended Senior Loan Facility, approximately \$40 million of the outstanding principal amount has been assigned to clients and funds advised by Cohanzick Management, LLC and CrossingBridge Advisors, LLC. The Company has subsequently repaid \$20.1 million to Guggenheim and agreed to repay a further \$67.2 million on the completion of the Secondary Sale of certain U.S micro-cap investments.

The new lenders have agreed, pursuant to an agreement among lenders, to be subordinated to Guggenheim and it has been agreed under the Amended Senior Facility that the interest rate payable by the Company for the loans funded by the new lender will accrue interest at a rate of Libor +11.00%. The Company has secured more advantageous covenant terms for itself including the asset coverage covenant being reset at a lower threshold of 3.5x and is now fully compliant with all covenants. The terms of the new agreement require the Company allocate 90% of future realisation proceeds to the repayment of the Guggenheim balance.

- (iii) Post period end, the Company completed on the sale of its Greenpoint property located in Brooklyn, New York. The Company received approximately \$13.6 million for its interest in the site which approximately corresponds to the carrying value at 31 August 2020.

Company Advisers

Investment Adviser

The Investment Adviser to JZ Capital Partners Limited E ("JZCP") is Jordan/Zalaznick Advisers, Inc., ("JZAI") a PO company beneficially owned by John (Jay) W Jordan II and David W Zalaznick. The company offers investment S advice to the Board of JZCP. JZAI has offices in New York and Chicago.

Jordan/Zalaznick Advisers, Inc.

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Useful Information for Shareholders

Listing

JZCP Ordinary, Zero Dividend Preference (“ZDP”) shares and Convertible Unsecured Loan Stock (“CULS”) are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange Specialist Fund Segment for listed securities.

The price of the Ordinary shares are shown in the Financial Times under “Conventional Private Equity” and can also be found at <https://markets.ft.com> along with the prices of the ZDP shares and CULS.

ISIN/SEDOL Numbers

	Ticker Symbol	ISIN Code	Sedol Number
Ordinary shares	JZCP	GG00B403HK58	B403HK5
ZDP (2022) shares	JZCZ	GG00BZ0RY036	Z0RY03
CULS	JZCC	GG00BP46PR08	BP46PR0

Key Information Documents

JZCP produces Key Information Documents to assist investors’ understanding of the Company’s securities and to enable comparison with other investment products. These documents are found on the Company’s website - www.jzcp.com/investor-relations/key-information-documents.

Alternative Performance Measures

In accordance with ESMA Guidelines on Alternative Performance Measures (“APMs”) the Board has considered what APMs are included in the Interim Report and Financial Statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the Interim Report and Financial Statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

Total NAV Return

The Total NAV Return measures how the net asset value (“NAV”) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. JZCP also produces an adjusted Total NAV Return which excludes the effect of the appreciation/dilution per share caused by the buy back/issue of shares at a discount to NAV, the result of the adjusted Total NAV return is to provide a measurement of how the Company’s Investment portfolio contributed to NAV growth adjusted for the Company’s expenses and finance costs. The Total NAV Return for the period ended 31 August 2020 was -25.1%, which only reflects the change in NAV as no dividends were paid during the year. The Total NAV Return for the year ended 29 February 2020 was -38.8%.

Total Shareholder Return (Ordinary shares)

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the period ended 31 August 2020 was -65.5%, which only reflects the change in share price as no dividends were paid during the year. The Shareholder Return for the year ended 29 February 2020 was -40.7%.

Useful Information for Shareholders continued

Alternative Performance Measures continued

NAV to market price discount

The NAV per share is the value of all the company's assets, less any liabilities it has, divided by the number of shares. However, because JZCP shares are traded on the London Stock Exchange's Specialist Fund Segment, the share price may be higher or lower than the NAV. The difference is known as a discount or premium. JZCP's discount is calculated by expressing the difference between the period end dollar equivalent share price and the period end NAV per share as a percentage of the NAV per share.

At 31 August 2020, JZCP's Ordinary shares traded at £0.89 (29 February 2020: £2.58) or \$1.19 (29 February 2020: \$3.30) being the dollar equivalent using the year end exchange rate of £1: \$1.34 (29 February 2020 £1: \$1.28). The shares traded at a 74% (29 February 2020: 46%) discount to the NAV per share of \$4.60 (29 February 2020: \$6.14).

Criminal Facilitation of Tax Evasion

The Board has approved a policy of zero tolerance towards the criminal facilitation of tax evasion, in compliance with the Criminal Finances Act 2017.

Non-Mainstream Pooled Investments

From 1 January 2014, the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes came into effect. JZCP's Ordinary shares qualify as an 'excluded security' under these rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products. Therefore Ordinary shares issued by JZ Capital Partners can continue to be recommended by financial advisers as an investment for UK retail investors.

Internet Address

The Company: www.jzcp.com

Financial Diary

Results for the year ended 28 February 2021

Annual General Meeting

Interim report for the six months ended 31 August 2021

May 2021 (date to be confirmed)

June/July 2021 (date to be confirmed)

November 2021 (date to be confirmed)

Payment of Dividends

In the event of a cash dividend being paid, the dividend will be sent by cheque to the first-named shareholder on the register of members at their registered address, together with a tax voucher. At shareholders' request, where they have elected to receive dividend proceeds in Sterling, the dividend may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System. Payments will be paid in US dollars unless the shareholder elects to receive the dividend in Sterling. Existing elections can be changed by contacting the Company's Transfer and Paying Agent, Equiniti Limited on +44 (0) 121 415 7047.

Share Dealing

Investors wishing to buy or sell shares in the Company may do so through a stockbroker. Most banks also offer this service.

Foreign Account Tax Compliance Act

The Company is registered (with a Global Intermediary Identification Number CAVBUD.999999.SL.831) under The Foreign Account Tax Compliance Act ("FATCA").

Share Register Enquiries

The Company's UK Transfer and Paying Agent, Equiniti Limited, maintains the share registers. In event of queries regarding your holding, please contact the Registrar on 0871 384 2265, calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday, If calling from overseas +44 (0) 121 415 7047 or access their website at www.equiniti.com. Changes of name or address must be notified in writing to the Transfer and Paying Agent.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Documents Available for Inspection

The following documents will be available at the registered office of the Company during usual business hours on any weekday until the date of the Annual General Meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting:

- (a) the Register of Directors' Interests in the stated capital of the Company;
- (b) the Articles of Incorporation of the Company; and
- (c) the terms of appointment of the Directors.

Warning to Shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you are offered, for example, unsolicited investment advice, discounted JZCP shares or a premium price for the JZCP shares you own, you should take these steps before handing over any money:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FCA before getting involved by visiting <http://www.fca.org.uk/firms/systems-reporting/register>
- Report the matter to the FCA by calling 0800 111 6768
- If the calls persist, hang up
- More detailed information on this can be found on the Money Advice Service website www.moneyadviceservice.org.uk

Useful Information for Shareholders continued

US Investors

General

The Company's Articles contain provisions allowing the Directors to decline to register a person as a holder of any class of ordinary shares or other securities of the Company or to require the transfer of those securities (including by way of a disposal effected by the Company itself) if they believe that the person:

- (a) is a "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended) and not a "qualified purchaser" (as defined in the US Investment Company Act of 1940, as amended, and the related rules thereunder);
- (b) is a "Benefit Plan Investor" (as described under "Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans" below); or
- (c) is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of ordinary shares or any other equity securities of the Company by the person would materially increase the risk that the Company could be or become a "controlled foreign corporation" (as described under "US Tax Matters" on page 52.

In addition, the Directors may require any holder of any class of ordinary shares or other securities of the Company to show to their satisfaction whether or not the holder is a person described in paragraphs (A), (B) or (C) above.

US Securities Laws

The Company (a) is not subject to the reporting requirements of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and does not intend to become subject to such reporting requirements and (b) is not registered as an investment company under the US Investment Company Act of 1940, as amended (the "1940 Act"), and investors in the Company are not entitled to the protections provided by the 1940 Act.

Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans

Investment in the Company by "Benefit Plan Investors" is prohibited so that the assets of the Company will not be deemed to constitute "plan assets" of a "Benefit Plan Investor". The term "Benefit Plan Investor" shall have the meaning contained in 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and includes (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA; (b) a "plan" described in Section 4975(e)(1) of the US Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code; and (c) an entity whose underlying assets include "plan assets" by reason of an employee benefit plan's or a plan's investment in such entity. For purposes of the foregoing, a "Benefit Plan Investor" does not include a governmental plan (as defined in Section 3(32) of ERISA), a non-US plan (as defined in Section 4(b)(4) of ERISA) or a church plan (as defined in Section 3(33) of ERISA) that has not elected to be subject to ERISA.

Each purchaser and subsequent transferee of any class of ordinary shares (or any other class of equity interest in the Company) will be required to represent, warrant and covenant, or will be deemed to have represented, warranted and covenanted, that it is not, and is not acting on behalf of or with the assets of, a Benefit Plan Investor to acquire such ordinary shares (or any other class of equity interest in the Company).

Under the Articles, the directors have the power to require the sale or transfer of the Company's securities in order to avoid the assets of the Company being treated as "plan assets" for the purposes of ERISA.

The fiduciary provisions of laws applicable to governmental plans, non-US plans or other employee benefit plans or retirement arrangements that are not subject to ERISA (collectively, "Non-ERISA Plans") may impose limitations on investment in the Company. Fiduciaries of Non-ERISA Plans, in consultation with their advisers, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Company.

Among other considerations, the fiduciary of a Non-ERISA Plan should take into account the composition of the Non-ERISA Plan's portfolio with respect to diversification; the cash flow needs of the Non-ERISA Plan and the effects thereon of the illiquidity of the investment; the economic terms of the Non-ERISA Plan's investment in the Company; the Non-ERISA Plan's funding objectives; the tax effects of the investment and the tax and other risks associated with the investment; the fact that the investors in the Company are expected to consist of a diverse group of investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Company will not take the particular objectives of any investors or class of investors into account.

Non-ERISA Plan fiduciaries should also take into account the fact that, while the Company's board of directors and its investment adviser will have certain general fiduciary duties to the Company, the board and the investment adviser will not have any direct fiduciary relationship with or duty to any investor, either with respect to its investment in Shares or with respect to the management and investment of the assets of the Company. Similarly, it is intended that the assets of the Company will not be considered plan assets of any Non-ERISA Plan or be subject to any fiduciary or investment restrictions that may exist under laws specifically applicable to such Non-ERISA Plans. Each Non-ERISA Plan will be required to acknowledge and agree in connection with its investment in any securities to the foregoing status of the Company, the board and the investment adviser that there is no rule, regulation or requirement applicable to such investor that is inconsistent with the foregoing description of the Company, the board and the investment adviser.

Each purchaser or transferee that is a Non-ERISA Plan will be deemed to have represented, warranted and covenanted as follows:

- (a) The Non-ERISA Plan is not a Benefit Plan Investor;
- (b) The decision to commit assets of the Non-ERISA Plan for investment in the Company was made by fiduciaries independent of the Company, the Board, the Investment adviser and any of their respective agents, representatives or affiliates, which fiduciaries (i) are duly authorized to make such investment decision and have not relied on any advice or recommendations of the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates and (ii) in consultation with their advisers, have carefully considered the impact of any applicable federal, state or local law on an investment in the Company;
- (c) The Non-ERISA Plan's investment in the Company will not result in a non-exempt violation of any applicable federal, state or local law;
- (d) None of the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates has exercised any discretionary authority or control with respect to the Non-ERISA Plan's investment in the Company, nor has the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates rendered individualized investment advice to the Non-ERISA Plan based upon the Non-ERISA Plan's investment policies or strategies, overall portfolio composition or diversification with respect to its commitment to invest in the Company and the investment program thereunder; and
- (e) It acknowledges and agrees that it is intended that the Company will not hold plan assets of the Non-ERISA Plan and that none of the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates will be acting as a fiduciary to the Non-ERISA Plan under any applicable federal, state or local law governing the Non-ERISA Plan, with respect to either (i) the Non-ERISA Plan's purchase or retention of its investment in the Company or (ii) the management or operation of the business or assets of the Company. It also confirms that there is no rule, regulation, or requirement applicable to such purchaser or transferee that is inconsistent with the foregoing description of the Company, the Board and the Investment adviser.

Useful Information for Shareholders continued

US Tax Matters

This discussion does not constitute tax advice and is not intended to be a substitute for tax advice and planning. Prospective holders of the Company's securities must consult their own tax advisers concerning the US federal, state and local income tax and estate tax consequences in their particular situations of the acquisition, ownership and disposition of any of the Company's securities, as well as any consequences under the laws of any other taxing jurisdiction.

The Board may decline to register a person as, or to require such person to cease to be, a holder of any class of ordinary shares or other equity securities of the Company because of, among other reasons, certain US ownership and transfer restrictions that relate to "controlled foreign corporations" contained in the Articles of the Company. A Shareholder of the Company may be subject to forced sale provisions contained in the Articles in which case such shareholder could be forced to dispose of its securities if the Company's directors believe that such shareholder is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of ordinary shares or any other equity securities of the Company by such shareholder would materially increase the risk that the Company could be or become a "controlled foreign corporation" within the meaning of the Code (a "CFC"). Shareholders of the Company may also be restricted by such provisions with respect to the persons to whom they are permitted to transfer their securities.

In general, a foreign corporation is treated as a CFC if, on any date of its taxable year, its "10% US Shareholders" collectively own (directly, indirectly or constructively within the meaning of Section 958 of the Code) more than 50% of the total combined voting power or total value of the corporation's stock. For this purpose, a "10% US Shareholder" means any US person who owns (directly, indirectly or constructively within the meaning of Section 958 of the Code) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation. The Tax Cuts and Jobs Act (the "Tax Act") eliminated the prohibition on "downward attribution" from non-US persons to US persons under Section 958(b)(4) of the Code for purposes of determining constructive stock ownership under the CFC rules. As a result, the Company's US subsidiary will be deemed to own all of the stock of the Company's non-US subsidiaries held by the Company for purposes of determining such foreign subsidiaries' CFC status. The legislative history under the Tax Act indicates that this change was not intended to cause the Company's non-US subsidiaries to be treated as CFCs with respect to a 10% US Shareholder that is not related to the Company's US subsidiary. However, the IRS has not yet issued any guidance confirming this intent and it is not clear whether the IRS or a court would interpret the change made by the Tax Act in a manner consistent with such indicated intent. The Company's treatment as a CFC as well as its foreign subsidiaries' treatment as CFCs could have adverse tax consequences for 10% US Shareholders.

The Company has been advised that it is NOT a passive foreign investment company ("PFIC") for the fiscal years ended February 2019 and 2018. An analysis for the financial year ended 29 February 2020 will be undertaken this year. A classification as a PFIC would likely have adverse tax consequences for US taxpayers.

The taxation of a US taxpayer's investment in the Company's securities is highly complex. Prospective holders of the Company's securities must consult their own tax advisers concerning the US federal, state and local income tax and estate tax consequences in their particular situations of the acquisition, ownership and disposition of any of the Company's securities, as well as any consequences under the laws of any other taxing jurisdiction.

Investment Adviser's ADV Form

Shareholders and state securities authorities wishing to view the Investment Adviser's ADV form can do so by following the link below:

<https://adviserinfo.sec.gov/firm/summary/160932>

